SASKATCHEWAN

Report of the Provincial Auditor

to the Legislative Assembly
of Saskatchewan

2002 Spring Report

Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V7

Telephone: (306) 787-6398
Fax: (306) 787-6383

E-mail: info@auditor.sk.ca
Website: http://www.auditor.sk.ca/

ISSN 0581-8214

Vision

We envision effective, open and accountable government.

Mission

We serve the people of Saskatchewan through the Legislative Assembly.
We are committed to fostering excellence in public sector management and accountability.

Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V7

SASKATCHEWAN

Phone: (306) 787-6366
Fax: (306) 787-6383
Internet e-mail: fwendel@auditor.sk.ca

May 15, 2002

The Honourable P. Myron Kowalsky
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my *2002 Spring Report* to be laid before the Legislative Assembly in accordance with the provisions of Section 14.1 of *The Provincial Auditor Act*.

Respectfully yours,

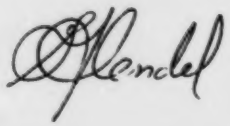
Fred Wendel, CMA, CA
Provincial Auditor

/dd

Foreword

I am pleased to present my *2002 Spring Report* to the Legislative Assembly. This Report includes the results of our work at government organizations primarily with years ended December 31, 2001.

I wish to thank all the staff and officials of the government organizations audited by my Office for their co-operation and assistance. Also, I wish to thank the staff of my Office for their constant pursuit of excellence in public sector management and reporting practices.



Regina, Saskatchewan
May 15, 2002

Fred Wendel, CMA, CA
Provincial Auditor

Table of Contents

Chapter	Topic	Page
	Observations	i
1	SaskPower Benefit Realization Process	1
2	Information Services Corporation of Saskatchewan	21
3	Saskatchewan Government Growth Fund	29
4	Saskatchewan Water Corporation	39
5	Crown Investments Corporation of Saskatchewan	45
6	Standing Committee on Crown Corporations	55
7	Saskatchewan Gaming Corporation	61
8	Workers' Compensation Board	75
9	Office of the Chief Electoral Officer	83
10	Finance—Learning culture for reporting results	93
11	Health	109
12	Labour—Monitoring for workplace safety	117
13	Municipal Affairs and Housing	127
14	Justice	139
15	Liquor Board Superannuation Commission	145
16	Standing Committee on Public Accounts	151

Appendix 1	*The Provincial Auditor Act*	1-1
Appendix 2	List and status of organizations subject to an examination under *The Provincial Auditor Act*	2-1

Table of Contents

Chapter	Topic	Page
Appendix 3	Examples of opinions we form on departments, Crown agencies, and Crown-controlled corporations	3-1
Appendix 4	Reports of appointed auditors	4-1

Observations

Introduction iii

Risk Management iii

Infrastructure iii

Other governance and supervisory practices v

Improving the Government's Public Accountability vi

Our 2002 Reports viii

This page left blank intentionally.

Introduction

This report is focused primarily on government organizations that have December 31, 2001 as their year-end. The report sets out the conclusions, findings, and recommendations of our Office for nearly 135 government organizations. For the most part, these organizations have adequate financial management practices to safeguard public resources. The organizations that do not are making progress in improving their practices.

We continue to receive good cooperation from government organizations. This cooperation helps us to carry out our responsibilities for the Legislative Assembly.

The Government continues to improve its practices for managing public resources and its public accountability. Changing how an organization manages its business is hard. To successfully bring about change, organizations require senior management commitment, public accountability, a learning culture, and good risk management practices. In this report, we highlight three organizations that are managing significant change: SaskPower, Information Services Corporation, and the Department of Finance. We discuss the progress of these organizations later in this chapter.

This chapter summarizes our findings under two headings—Risk Management and Improving the Government's Public Accountability.

Risk Management

Well-managed organizations set clear and measurable objectives. They also identify risks that could interfere with achieving those objectives, and they try to reduce the risks to an acceptable level. This report continues our focus on how government organizations manage their key risks. We focus on risks related to infrastructure and risks related to governance and supervisory practices.

Infrastructure

Infrastructure is essential to the delivery of government programs. It includes computer systems and networks that the Government uses to

provide public services. Our focus for the next few years is to ensure government organizations have adequate practices to manage infrastructure risks. In Volume 2 of our 2000 Fall Report to the Legislative Assembly, we set out and discuss those risks. This report continues our focus on infrastructure, specifically new computer systems.

When organizations decide to build new computer systems and networks, it is important that they have sound business and financial plans to support their decisions. This support should include clearly identified measurable benefits that the new systems are expected to achieve.

Organizations also need good practices to implement these systems. When organizations implement the new systems, we focus on their practices to achieve the benefits set out in their business and financial plans. Achieving benefits requires commitment and change.

This report includes two chapters dealing with new computer systems.

In Chapter 1, we report on the good practices Saskatchewan Power Corporation (SaskPower) will use to achieve the benefits of its new computer system. We make three recommendations to improve those practices.

Many organizations fail to properly implement new systems. In 1999, we reported that SaskPower had good project management practices to implement its new computer system. SaskPower has now successfully implemented the new system.

Many organizations that successfully implement new systems fail to establish practices to achieve the expected benefits of the new systems. In 1999, we recommended that SaskPower should establish practices to achieve the benefits of the new system. SaskPower has now taken the initiative to establish practices to achieve the benefits. This is an important step. We encourage other organizations to learn from SaskPower.

In Chapter 2, we report on our work on the new computer system at the Information Services Corporation of Saskatchewan (ISC). In our 2001 Fall Report - Volume 2, we reported that ISC had good project management

practices to implement its new computer system except that ISC should establish measures to track the benefits of the new computer system.

Recently, legislators and the public have asked questions about whether the new system is worthwhile. That is, do the benefits of the new system exceed the costs of the system? The judgment of whether or not a project is worthwhile belongs to legislators and the public. To have an informed debate, legislators and the pubic need reliable information about the planned and actual benefits of a project as well as information about its planned and actual costs. Our responsibility is to ensure that legislators and the public have good information on the benefits and costs.

The Standing Committee on Crown Corporations (Committee), an all-party committee of the Assembly, asked our Office to report to the Committee on the costs, financing, and benefits of the new system. We agreed to do so. We will make three reports to the Committee. The reports will cover the costs, financing, and benefits of the new system.

Other governance and supervisory practices

In Chapter 7, we report that, overall, Saskatchewan Gaming Corporation has good practices to manage public resources. One way that the Corporation could improve its practices is to work with Saskatchewan Liquor and Gaming Authority to clarify the regulations governing gaming.

In Chapter 8, we report that the Workers' Compensation Board (WCB) needs to improve its governance practices. The monthly financial reports provided to the board members of the WCB do not provide complete and accurate information on the WCB's compensation costs. The Board needs complete and accurate monthly financial reports to make informed decisions on important matters such as premium rates and compensation programs.

In Chapter 9, we report that the Office of the Chief Electoral Officer has not followed a recommendation of the Standing Committee on Public Accounts (Committee) regarding the returns of candidates and political parties.

In the past, there has been public controversy surrounding anonymous contributions to political parties. Legislators changed *The Elections Act,*

1996 to remedy the lack of clarity surrounding the disclosure of all contributions made to candidates and political parties. In 1999, the Committee recommended that the Electoral Office should provide guidance to auditors requiring them to determine if the returns of candidates and political parties are complete. Complete means that the returns include all contributions and all expenses.

The Electoral Office advises the auditors that they have no duty to determine if the returns include all contributions and expenses. The Electoral Office's advice to auditors is not consistent with the Committee's recommendation because of the Office's interpretation of *The Elections Act, 1996*.

Given the lack of clarity in the Act, we recommend that if legislators want to ensure that the returns of candidates and political parties are complete, they should amend the Act.

Improving the Government's Public Accountability

In this Report, we continue to focus on encouraging the Government to improve its accountability to the public. Improving public accountability fosters better management of public resources. Having to answer publicly for what you plan to do and what you have actually done improves the management of public resources.

Sound public accountability relationships require:

- Agreed-upon plans that are clear as to responsibilities, authority, resources, and expected results. This requires government agencies to give the Assembly reliable business and financial plans.

- Reliable reports on actual results compared to planned results. This requires government agencies to give the Assembly reliable reports on performance.

- Reasonable reviews of performance. This requires a legislative committee to review the plans and actual results and offer advice for improvement.

The Government continues to work on improving its public accountability by establishing a new accountability system for government departments. This system establishes a framework that focuses departments on the results of their spending and activities. Departments are expected to set objectives, manage risks, establish measures to monitor progress towards their performance expectations, and monitor their performance. Departments will be expected to make their plans public. We encourage the Government to begin to make department plans public.

The Department of Finance leads the implementation of this new accountability system. Implementing this new system requires commitment by legislators and senior management. It also requires the Government to build the capacity of departments to manage in a new way. We continue to work with the Department of Finance to support this important initiative.

In Chapter 10, we report the results of our audit to determine if the Department of Finance has established good practices to help departments learn this new way to manage public resources. We make two recommendations to improve practices.

In Chapter 11, we discuss one example of reporting results, which is the upcoming Health Indicator Report required by the First Ministers' agreement to measure and report on their health systems' performance. These reports are to begin in September 2002. The Department of Health is responsible to prepare Saskatchewan's Health Indicator Report.

To have an informed debate about the health system performance, legislators and the public will need to know that the health indicator reports are reliable and comparable among the jurisdictions. We are working with legislative auditors across Canada to ensure that all the reports of all jurisdictions are subject to similar scrutiny. We will provide our report on the reliability of Saskatchewan's Health Indicator Report this Fall.

Crown Investments Corporation of Saskatchewan (CIC) and the corporations it supervises continue to make progress with their initiative to improve public accountability. This initiative is called the "Balanced Scorecard." The Balanced Scorecard is used to evaluate financial performance as well as the achievement of objectives in the areas of

innovation and learning, customer satisfaction, and public policy. Corporations will make public their performance measures, their performance expectations for those measures, and the results they have achieved.

CIC approved a policy requiring minimum public disclosure of key elements of the Balanced Scorecard in the 2000 annual reports and requiring additional public disclosure for 2002 annual reports. The 2001 annual reports of seven corporations exceed the minimum requirements. We commend Crown Investments Corporation of Saskatchewan, SaskEnergy Incorporated, Saskatchewan Government Growth Fund, Saskatchewan Power Corporation, Saskatchewan Telecommuncations Holding Corporation, Saskatchewan Transportation Company, and Saskatchewan Water Corporation for doing so.

Our 2002 Reports

In 2002, our Office issued two other public reports to the Assembly. Exhibit 1 contains a list of those reports. If you wish to obtain copies of these reports, or wish to discuss or receive presentations on the contents of any of these reports, please:

- visit our website at:
  http://www.auditor.sk.ca/
- contact our Office by Internet e-mail at: or
  info@auditor.sk.ca
- write, phone, or fax us at:

Provincial Auditor Saskatchewan
1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V7
Phone: (306) 787-6398
Fax: (306) 787-6383

Exhibit 1

- *Report to the Legislative Assembly of Saskatchewan on the Financial Statements of Crown Agencies for Years Ending in the 2001 Calendar Year : April 2002*; and

- *Report to the Legislative Assembly of Saskatchewan on the 2001 Financial Statements of CIC Crown Corporations and Related Entities : April 2002.*

Exhibit 2

My colleagues at the Office of the Provincial Auditor of Saskatchewan are:

Ahmad, Mobashar
Anderson, Mark
Atkinson, Brian
Bachelu, Gaylene
Baronowsky, Tricia
Beblow, Jolene
Borys, Angèle
Brezinski, Curtis
Burrows, Jamie
Caldar, Chantara
Clemett, Tara
Creaser, Phil
DeCorby, Michelle
Deis, Kelly
Dickin, Deann
Duran, Jason
Duran, Joel
Emond, Candice
Federspiel, Angela
Ferguson, Judy
Fysh, Cindy
Grabarczyk, Rod
Harasymchuk, Bill
Heffernan, Mike
Huard, Brenda
Hungle, Angie
Jersak, Rodd
Kirchner, Carolyn
Knox, Jane
Kress, Jeff
Kuntz, Linda
Lacey, Shana
Lahti, Jay
Lees, Trina
Lindenbach, Michelle
Lowe, Kim
Martens, Andrew
Montgomery, Ed
Nyhus, Glen
Oldershaw, Mark
Orrange, Loyd
Ottenbreit, Stacey
Paul, Charlene
Paul, Kent
Rybchuk, Corrine
Schiller, Rita
Schwab, Amy
Schwab, Victor
Shorten, Karen
Sommerfeld, Regan
Szaroz, Jennifer
Tomlin, Heather
Volk, Rosemarie
Walker, Sandra
Wandy, Jason
Watkins, Dawn
Wendel, Leslie

SaskPower Benefit Realization Process

1

Executive summary **2**

Introduction **3**

Background **3**

Audit objective, conclusion, and findings 5

Detailed findings **6**

Why are maintenance processes important? 6

Does SaskPower have processes to maintain management commitment? 7

Governance 8

Accountability 8

Proactive leadership 9

Does SaskPower have processes to manage change? 9

Sense of urgency 10

Strong teams 11

Clear vision 11

Culture to sustain change 12

Does SaskPower have project management practices to manage process improvement projects? 13

Exhibit 1: Continuous process change cycle 14

Planning 14

Implementation 15

Delivery and support 15

Monitoring processes and benefits 16

Exhibit 2 – Detailed criteria **18**

Selected resources **19**

Executive summary

In 1998, SaskPower made a major investment in a new integrated information system (System). It implemented this System in 1999. SaskPower is seeking to achieve the benefits from the System. SaskPower estimates the value of these benefits at $130 million over five years.

In this chapter, we report on the adequacy of SaskPower's processes to realize, measure, and report on these benefits. Achieving benefits is hard. Many organizations fail to seek the benefits that these systems are supposed to bring.

SaskPower is developing processes to achieve the System's benefits. These processes will help employees change how they do their work and thereby achieve the System's benefits. For example, SaskPower is changing how its employees plan and schedule maintenance at its coal-fired power plants. These changes will produce benefits by increasing the generating capacity at the coal-fired power plants. This increased capacity will replace more expensive electricity from natural gas fired plants or from other producers.

We congratulate SaskPower on its efforts to achieve the benefits from the System. We think other government organizations can learn from the work done by SaskPower.

SaskPower still has much work to do. In addition to sustaining management's commitment to realizing the System's benefits, SaskPower must continue to help and encourage employees to change how they do their work. We make three recommendations to help SaskPower achieve the System's benefits. SaskPower should:

- set out the benefit targets and measures for the System in its business plan and report the results achieved in its annual report;
- establish policies to support a long-term continuous process improvement program that includes training and System support plans for its employees; and
- provide its Board of Directors with independent advice on benefit targets and measures, the effectiveness of the new work processes and on the reliability of key reports.

Introduction

In 1998, SaskPower made a major investment in information technology. It purchased an integrated computer system and implemented it throughout the Corporation. This system was much more than just a computer system; it provided new work processes that changed how employees did their work. In this chapter, we refer to this integrated computer system and its work processes as "the System."

The purpose of this chapter is to report to the Legislative Assembly and the public on the adequacy of SaskPower's processes to realize, measure, and report on the benefits from the System. SaskPower estimates the value of the benefits to be $130 million over five years.

Successfully adopting the System's work processes is the key to realizing its benefits. This is not easy; change is hard. We expect the results of our audit will help SaskPower and other government agencies to realize the benefits of information technology. We set out our detailed audit criteria in Exhibit 2.

Background

SaskPower's Board approved the purchase of the System in May 1998. Its decision was supported by a business case that showed the benefits of the System would exceed its cost by $81 million over a five-year period. The estimated cost to buy, install, and operate the System for five years was $86 million and the estimated benefits were $167 million over this period. SaskPower now projects the benefits from the system will be $130 million over five years. The reduction in benefits is in areas where benefits are difficult to measure. These areas include: improving capital planning with better information; reduced data entry costs; and savings from improved maintenance practices.

In March 1999, we reviewed SaskPower's project management practices to implement the System (referred to as the Delta Project). We concluded that SaskPower had good practices to implement the System.

In our 1999 Spring Report, we highlighted the importance of monitoring and measuring the benefits. We recommended that SaskPower should set measurable targets for the annual planned benefits over the System's

five-year business plan and report its progress against these targets to its Board and in its annual reports.

At that time, SaskPower faced four challenges that continue today. These challenges are:

1. ensuring SaskPower realizes the expected benefits from the System;
2. ensuring staff are properly trained in the new business processes and motivated to realize the benefits;
3. ensuring specialized knowledge and skills gained by SaskPower's implementation team are retained for running and managing the System; and
4. securing the System to ensure the confidentiality, completeness, accuracy, and availability of information.

SaskPower implemented the System in August 1999. In late 2000, SaskPower's management informed the Board that progress in achieving the benefits was not going as planned. The 1998 business case had projected SaskPower would realize $86 million of the $167 million in benefits by the end of 2001. As of this date, SaskPower says it has realized $32 million. Most of the realized benefits ($25 million) are avoided System costs from not replacing its old systems with newer non-integrated systems.

The Board directed management to conduct a post-implementation assessment and report on how to realize the benefits. The Board received the Post-Implementation Assessment report in March 2001. The report highlights the strengths of the System and the areas that need improvement. The report recommended the establishment of a Corporate Business Process Improvement Program (Program) that initially included eight projects. These eight projects are in areas that require processes to ensure SaskPower achieves the benefits from the System. The Board approved the Program and set up subcommittees of the Board and management to oversee the work. The initial projects are scheduled for completion during 2002 and the Program is to be completed by the end of 2002.

One of the Program's projects is called the Power Production Maintain Facilities Project (MF Project). The objective of the MF Project is to

improve power plant maintenance practices. Its estimated benefits are $74 million over a five-year period starting January 1, 2002. We describe how SaskPower plans to realize these benefits in the section entitled, *Why are maintenance processes important.*

Audit objective, conclusion, and findings

The objective of this audit was to assess the adequacy of SaskPower's processes to realize, measure, and report the benefits from the System. Our audit, as at March 8, 2002, focused on the corporate processes around benefit realization and on the processes to achieve the $74 million in benefits from improved power production maintenance practices. Our audit does not provide assurance on the amount of the benefits that SaskPower has achieved to date or on the quality of the maintenance practices at its power plants.

We found that SaskPower has adequate processes to realize, measure, and report the benefits from the System, except for the matters described below.

We make three recommendations to help SaskPower realize, measure, and report the System's benefits.

- SaskPower should set out the benefit targets and measures for the System in its business plan and report the results achieved in its annual report.

- SaskPower should establish policies to support a long-term continuous process improvement program that includes training and System support plans for its employees.

- SaskPower should provide its Board of Directors with independent advice on benefit targets and measures, the effectiveness of the new work processes and on the reliability of key reports.

We followed the Standards for Assurance Engagements established by The Canadian Institute of Chartered Accountants. To carry out the audit, we used a risk-based approach. Sources of audit evidence included: minutes; decision documents; project management plans; procedures

and reports; and communication documents. We also interviewed over 30 SaskPower employees, including most of the senior executive team.

The criteria that we used to evaluate SaskPower's benefit realization processes were derived from several sources. The primary sources were the Project Management Institute's standard, *A Guide to Project Management Body of Knowledge 2000*, and J.P. Kotter's book, *Leading Change*. The selected resources at the end of this chapter lists our other sources.

To realize, measure, and report the benefits from the System, SaskPower needs:

- strong senior management commitment;
- proactive change management; and
- project management practices to manage process improvement projects.

Exhibit 2 at the end of our chapter, contains our detailed audit criteria.

Detailed findings

Why are maintenance processes important?

To better appreciate the importance of SaskPower realizing the benefits from the System, it is helpful to understand how this System will increase electrical production. SaskPower values this increased electrical production at $74 million over five years.

SaskPower predicts that it will improve the capacity of its coal-fired plants through improved maintenance practices. Plant maintenance is more than simply the repair and maintenance of equipment. As Doc Palmer writes in his book, *Maintenance Planning and Scheduling Handbook*, "...maintenance produces a product which is capacity; maintenance does not just provide a repair service." In power-generating plants, the product of plant maintenance is electricity.

The machinery used to generate electricity is in a constant state of being worn out. For example, the combustion of coal and its waste products cause tremendous erosion to the plant's machinery and equipment. To maximize power production, SaskPower needs to achieve a balance between the rate of wear and the rate of repairs. Plant maintenance plays a key role in maintaining this balance.

A coal-fired power plant has thousands of pieces of equipment and SaskPower must do thousands of maintenance activities in a year to keep the power plants running at optimum capacity. When equipment breaks down, capacity is lost. SaskPower must replace the lost electricity with more expensive electricity from natural gas generation plants or from other producers. To manage and carry out the many thousands of the maintenance activities, SaskPower requires a good plant maintenance system.

A good plant maintenance system helps to prevent plant breakdowns and helps to ensure work is done efficiently. It does this by enabling the planning, scheduling, and reporting of maintenance activities. Planning helps to ensure that the right work is planned; and the people, tools, parts, and safety permits are available and recorded on maintenance work orders. Scheduling helps to ensure that the work is done at the right time. Reporting helps the monitoring of work and helps to ensure the work scheduled is done on time and on budget.

In summary, SaskPower predicts that its System will enable it to produce $74 million worth of additional electricity over five years from its coal-fired power plants through better plant maintenance practices.

Does SaskPower have processes to maintain management commitment?

Senior management commitment is very important to the success of projects. It becomes more crucial when projects are complex, span many years, and/or involve significant change. Good governance, accountability, and proactive leadership processes are required to obtain and maintain strong commitment to projects.

We expected SaskPower to have good processes to obtain and maintain strong senior management commitment. Senior management

commitment is important because realizing the System's benefits is complex, will take years, and will change how employees do their work.

Governance

Senior management commitment requires good governance processes. We defined governance as a set of relationships and processes to direct and control the organization in achieving its objectives. We looked at SaskPower's governance processes for realizing the System's benefits.

SaskPower has established several key committees to oversee the Corporate Business Process Improvement Program (Program) and respond to issues as they arise. These committees include a subcommittee of the Board, an executive steering committee, and a system change council that ensures technical changes do not adversely affect the integration of the System's many components. Also, most of the Program's projects are overseen by a steering committee of experts.

In summary, we found that these committees meet frequently and receive appropriate information to carry out their responsibilities.

Accountability

Senior management commitment requires good accountability processes. We defined accountability as:

- setting expectations for performance;
- reporting on performance; and
- reviewing performance and taking action.

We looked at SaskPower's accountability processes for realizing the System's benefits. SaskPower has established targets for the benefits that it plans to achieve from the System. It has also established performance targets for the Program's eight projects. In addition, reports are regularly prepared on the progress of these projects. However, the Corporation's 2002 Business Plan does not include sufficient benefit targets and measures to tie the System's benefit realization objectives to the corporate business objectives. Benefit targets and measures show

how the corporation plans to achieve the benefits of the System in the business plan. This deficiency weakens senior management's commitment to achieving the System's benefits.

The corporate business plan is the primary tool for setting corporate direction, priorities, and holding senior management accountable for results. The omission of benefit targets and measures from the business plan increases the risk that SaskPower will not realize the benefits. It also weakens management's accountability for achieving these benefits.

Also, SaskPower's annual report does not report its progress in achieving the System's benefits. Having to answer publicly for achieving benefits builds management commitment and public confidence.

1. **We recommend that SaskPower should set out the benefit targets and measures for the System in its business plan and report the results achieved in its annual report.**

SaskPower's response:

> It is the intent of SaskPower to include benefit targets and measures related to SAP process improvement initiatives in its annual business plan and report progress in its annual report.

Proactive leadership

Senior management commitment requires proactive leadership. We defined proactive leadership to include the building of: a strong sense of urgency, strong teams, and a clear vision of what is planned. Because proactive leadership is also a feature of proactive change management, we include it in the next section.

Does SaskPower have processes to manage change?

To achieve the benefits of the System, SaskPower must change its processes and be ready for additional changes in the future. We assessed SaskPower's change process against the eight stages of change developed by J.P. Kotter in his book, *Leading Change*. For this chapter, we group his stages into four parts: sense of urgency, strong teams, clear vision, and culture to sustain change.

Sense of urgency

We expected there would be a strong sense of urgency for realizing the System's benefits. A sense of urgency is often compared to a burning bridge. There is no turning back; going forward is the only option. A strong sense of urgency is created through sound business reasons for the change, strong leadership, and shear persistence at getting the change understood and accepted throughout the organization.

In the System's 1998 business case, SaskPower identified improved customer service, increased competitiveness, and enhanced shareholder value as being the business reasons behind acquiring the System. The strategy was to motivate and give employees the tools to change, thereby creating a more customer-oriented workforce. Better business processes, an improved ability to deploy employees and resources, and better information were the tools to enable the change.

The sense of urgency to realize the System's benefits seemed to have been lost after the System was implemented. The System proved to be far more difficult to use than anticipated and few benefits were initially seen by employees. As a result, employees were frustrated and few benefits were realized.

The Board's leadership in directing executive management to conduct a post-implementation review in the Fall of 2000 rekindled the sense of urgency for realizing the System's benefits. Also, the early successes of the Program's eight projects have helped to motivate staff to make greater use of the System. For example, the employees at power plants are asking for improvements to the System's material management processes so that they can obtain additional benefits from plant maintenance processes.

In addition, SaskPower's 2002 Business Plan offers additional compelling reasons for making the System work better. These reasons are aging power plants and transmission systems that need more maintenance and the need to have processes that capture and transfer knowledge from its aging workforce.

In summary, SaskPower established a sense of urgency to realize the benefits.

Strong teams

We expected SaskPower would establish strong teams to realize the System's benefits. A strong team is one that has the authority, expertise, creditability, and leadership to bring about the change. In addition, leaders must drive the change, while managers control the change process. (Kotter, page 57).

SaskPower established strong teams to realize the System's benefits in March 2001. The teams' mandates, authorities, skills, composition, and resources were set out in the Post-Implementation Assessment report described earlier. The teams include the Program team and the individual project teams.

Changing how people do their work is difficult. It is more difficult than the technical part of getting computer programs up and running. The teams, with their direct accountability to the Board and the executive for their results, were not in place in 1999 when the System was first implemented.

In summary, since the start of the Corporate Process Improvement Program, SaskPower has had appropriate teams in place to change work processes.

Clear vision

A clear vision is critical to the change process. To be effective, the vision must be communicated to the employees, understood by them, and they must be empowered to act on the vision. We expected SaskPower to have a clear and effective vision of the System's processes and benefits.

The System's business case sets out a clear and effective vision and the Post-Implementation Assessment report reaffirms it. The Program established communication plans for its work and its eight projects. These plans include an assessment of the information needs of employees and management. Also, the plans include a variety of communication methods such as corporate newsletters, surveys, electronic bulletin boards, and committee presentations.

SaskPower is encouraging change by recognizing Program successes. It is removing obstacles to change by creating cross-functional project teams, providing system support, and training to help employees use the System effectively. However, more needs to be done to help employees when they encounter problems in using the System. System support processes are discussed further in the next section.

In summary, SaskPower established a clear vision to realize the benefits.

Culture to sustain change

A culture that sustains change is one that rewards short-term wins; uses the wins to drive more change, and provides structural support to manage change.

We expected SaskPower to plan for short-term wins and communicate the results throughout the Corporation. We also expected SaskPower would measure and report the progress achieved with the short-term wins to help motivate employees to change how they do their work.

SaskPower's Program team structured its work to facilitate short-term wins. For example, the Power Production Maintain Facilities Project team focused on improving maintenance practices one power plant at a time. The team then used its successes to help employees implement and adopt changes at the next plant. The consensus of the power plant employees that we interviewed was that the new processes were better but they wanted more improvements.

Putting in the System and making all the process changes needed is a huge change for SaskPower. The business transformation enabled by the System has significant impacts on SaskPower's employees. Employees use of the System impacts others. For example, an error in entering maintenance time will cause errors in payroll, in the plant maintenance system and in finance. Employees are developing new and transferable skills that SaskPower must retain and recognize. The System requires strong and continuous technical and user support. Business transformations of this magnitude need to be driven by a continuous process improvement program supported by strong information technology support programs and human resource policies.

We expected SaskPower to provide structural support to manage change. SaskPower has a continuous process improvement program that is due to expire in 2002. However, it will take several more years to complete the process changes needed to realize the established benefits. Therefore, SaskPower needs the program to facilitate change. Also, the program needs corporate support to ensure changes are long-term. Without the program, SaskPower risks a loss in momentum, a reversion to old practices, and a loss of benefits.

SaskPower needs to examine how it delivers its System support so that it can respond to user needs more efficiently and effectively. The current delivery system strains System support resources and it is not meeting the current needs of users. SaskPower recognizes the importance of this System support group and is currently improving its information technology work management processes to better serve its employees.

SaskPower also needs a corporate training strategy for its employees. The System is corporate wide so training policies must be coordinated across the corporation. Currently, the System training strategy is not supported by a corporate training strategy. This causes confusion and creates the expectation that System training should also provide other job skills training such as planning and scheduling.

2. **We recommend that SaskPower should establish policies to support a long-term continuous process improvement plan that includes training and support plans for its employees.**

SaskPower's response:

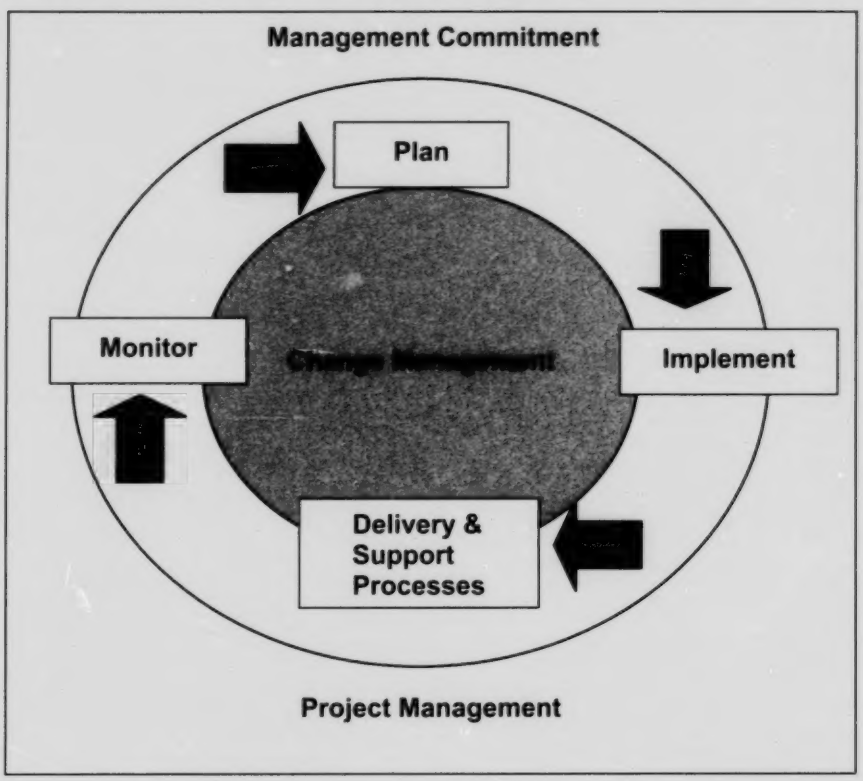
> SaskPower will provide assistance to its employees through the sustainment of the Corporate Process Improvement Program. The focus will be on increased training and development of staff to improve system support.

Does SaskPower have project management practices to manage process improvement projects?

Our audit of project management practices focused on the Power Production Maintain Facilities Projects (MF Project). SaskPower estimates that it will realize $74 million in benefits from improved power plant maintenance processes. To realize these benefits, SaskPower

needs strong project management practices including a clear continuous change-cycle methodology. Exhibit 1 shows such a methodology. The cycle starts with planning, followed by implementation, delivery and support, monitoring, and then back to planning.

Exhibit 1: Continuous process change cycle



The Corporate Process Improvement Program (Program) has adopted a similar continuous process improvement methodology. We assessed its change cycle methodology against the one in Exhibit 1 and found no significant differences.

Planning

We wanted to know if the MF Project had processes to ensure that the right work was planned. We expected the team to work closely with power production staff, assess the existing maintenance processes, identify barriers to improvement, and draw up a plan to fix the processes so the benefits could be realized.

The team's planning processes met our expectations. The team started by gathering employee needs through a series of interviews. It worked closely with the power plant steering committee and employees. The scope of the planned work was documented. It also included an assessment of how materials management, purchasing, logistics, and time capture could better support and tie into the System's plant maintenance processes.

In summary, we concluded the MF Project had processes to ensure that the right work was planned.

Implementation

We wanted to know if the MF Project's implementation processes ensured that the work would be done the right way. We expected that SaskPower would have documented project management practices and a team with the skills to apply them. Also, we expected the team to establish power plant maintenance standards and measurement, reporting, and monitoring standards for controlling process improvement. Finally, we expected that SaskPower would have processes for establishing an approved project charter to support the MF Project. A project charter should include such things as project objectives, work strategy, key risks, estimated costs, an estimated completion schedule, and the expected products.

The MF project's implementation processes met our expectations. Some of the key strengths included team members with skills in project management, power plant maintenance, and process measurement and reporting. In addition, the team used Doc Palmer's book entitled *Maintenance Planning and Scheduling Handbook* to establish best practices for plant maintenance.

In summary, we concluded that the MF Project's work was being done the right way.

Delivery and support

We wanted to know if the MF Project's delivery and support processes ensured that the work would be done well. We expected that the delivery and support processes would ensure that the work was clearly defined

and agreed to by power plant managers. Also, we expected processes to train employees on how to use the System's plant maintenance processes, track problems that arose, and track progress. Finally, we expected that the System's plant maintenance processes would be documented.

The team's delivery and support processes met our expectations, except for the matters describe in the next paragraph. Some of the key strengths of the team's delivery and support processes included a work site agreement and training courses specifically designed for power plant employees. The work site agreements were signed before work was started and again at its completion. This documentation helped to ensure that the nature and extent of the work was understood, the MF Project team had access to the right people, and all the work was satisfactorily done.

Power plant employees need reliable historical maintenance information to support the maintenance processes. This information was not available. SaskPower expects that it will develop this information over time through the proper use of the System's plant maintenance processes. We also found that the System's plant maintenance processes were not documented. Lack of documentation increases the risk that processes are not consistently followed or understood, thereby hindering the realization of the System's benefits. Therefore, we urge SaskPower to document the System's plant maintenance processes.

In summary, we concluded that the MF Project's delivery and support processes ensure that the work is done well.

Monitoring processes and benefits

We wanted to know if there were adequate monitoring processes to measure and report on realized benefits and determine if further changes to plant maintenance processes were needed. We expected that the monitoring processes would be based on clearly-defined performance measures and these measures would include appropriate indicators for process improvement and benefit realization. Also, we expected that the monitoring processes would include an independent assessment of measures and conclusions reached.

The team's monitoring processes met our expectations, except for the matter describe in the next paragraph. A key strength of the monitoring processes was the performance measures that the team chose to use. For example, the team chose to measure the amount of scheduled work that was planned. According to Doc Palmer in his book, *Maintenance Planning and Scheduling Handbook*, the scheduling of planned work is the single best way to improve maintenance effectiveness. Also, the team chose to use an industry standard for measuring the availability of the power plants to produce electricity. Comparing planned availability to actual availability is a good way to determine the benefits realized.

SaskPower's Board needs assurance that is independent of operations on the benefits realized from the System. Receiving independent assurance will help SaskPower to continually improve its work processes and realize the System's full potential.

3. **We recommend that SaskPower should provide its Board of Directors with independent advice on benefit targets and measures, the effectiveness of the new work processes, and on the reliability of key reports.**

SaskPower's response:

> SaskPower agrees to seek an independent review of its benefit targets and measures to ensure that they are realistic; will audit new work processes to measure their effectiveness; and, examine key reports to ensure their accuracy.

In summary, except for the above recommendation, we concluded that the monitoring processes for the MF Project adequately ensure that System's maintenance processes are effective and the benefits are realized.

Exhibit 2 – Detailed criteria

1. Senior management commitment to realize the benefits

1.1 Governance processes

1.1.2 The team has the authority to carry out the Program

1.1.3 A strong team is put in place to carry out the Program

1.2 Accountability processes

1.2.1 Clear measurable performance targets

1.2.2 Performance measurement

1.2.3 Assessing results

1.2.4 Alignment of objectives with the Business Plan and Annual Report

1.3 Proactive leadership

2. Proactive change management processes needed to realize benefits

2.1 There is a sense of urgency for the change

2.1.1 There are strong business reasons for making the changes

2.1.2 The business reasons are understood and accepted by management and the Board

2.2 Senior management lead and believe in the project

2.2.1 The process owners are committed to realizing the benefits

2.2.2 Key individuals are assembled to lead the change

2.2.3 Good team work practices are encouraged

2.3 The program is guided by a clear vision

2.3.1 A clear vision of the process improvement program is developed

2.3.2 A clear vision of the new work processes is developed

2.3.3 Strategies are developed for achieving the vision

2.4 The vision is effectively communicated

2.4.1 A communication plan is established and carried out

2.4.2 The actions of teams and other key managers set an example of the needed changes

2.5 Employees are empowered to act on the vision

2.5.1 Key policies support the changes

2.5.2 Obstacles to change are removed

2.5.3 Risk-taking and new ideas are encouraged

2.6 Short-term wins are planned

2.6.1 Short-term wins are planned

2.6.2 The successes are communicated

2.6.3 Individual and team efforts are recognized

2.7 Progress is consolidated and used to drive more change

2.7.1 Progress is assessed and communicated

2.7.2 Lessons learned are incorporated into new projects

2.7.3 Teams are in place to ensure the Program continues until the benefits are realized

2.8 The change is institutionalized within the corporation

2.8.1 Organizational polices, structures, and union agreements are amended to support the changes

2.8.2 Training programs are established and delivered to support the changes

3. Adequate project management practices to manage process improvement projects

3.1 Processes to plan for the realization of benefits

3.1.1 Benefits are known

3.1.2 Barriers are identified

3.1.3 Plans are developed

3.2 Processes to implement the plan for realizing benefits

3.2.1 A strong team is put in place to carry out the plan

3.2.2 There are good project management practices

3.2.3 Measuring and reporting standards are developed

3.3 Processes to deliver and support the plan for realizing benefits

3.3.1 Agreement or contract signed on planned work

3.3.2 Existing procedures are assessed and new procedures are agreed to

3.3.3 New procedures are documented

3.3.4 Employees are properly trained

3.3.5 Problem and support management is implemented

3.3.6 Performance measures are established

3.3.7 Sign-off on work completed

3.4 Processes to monitor the results achieved

3.4.1 Prompt reporting of results – outcomes

3.4.2 Prompt reporting of results – outputs

3.4.3 Independent assurance

3.4.4 Assessment of results

Selected resources

Bancroft, N.H., Seip, H., Sprengel, A., (1997). *Implementing SAP R/3.* Greenwich, CT., Manning Publications Co.

Davidson, A. F.F., Gellman, H.S., and Chung, M., (1997) *Riding the tiger.* Toronto, Canada: HarperCollins Publishers Ltd.

Hammer, M., (1996). Beyond reengineering – *How the process centered organization is changing our work and our lives.* New York, New York: HarperCollins Publishers Inc.

Kotter, J.P., (March - April 1995) *Leading change: Why transformation efforts fail.* Harvard Business Review, p.59 – 67.

Kotter, J. P., (1996). *Leading change.* Boston. Mass.: Harvard Business School Press.

Palmer, D., (1999). *Maintenance planning and scheduling handbook.* New York, New York: McGraw-Hill.

Project Management Institute. PMI Standards Committee. (1996). *A guide to the project management body of knowledge.* Pmbok Guide. Upper Darby, Pennsylvania: Project Management Institute.

Strassmann, P.A., (1997) *The squandered computer - Evaluating the business alignment of information technologies.* New Canaan, Connecticut: The Information Economics Press.

Thorp, J. and DMR's Centre for Strategic Leadership, (1998). *The information paradox.* Toronto, Canada: McGraw-Hill Ryerson Limited.

Wireman, T., (1998). *Developing performance indicators for managing maintenance.* New York, New York: Industrial Press, Inc.

This page left blank intentionally.

Information Services Corporation of Saskatchewan

2

Executive summary 22

Introduction 23

Background 23

Our audit conclusions and findings 24

Performance report on ISC's financing requirements 25

Performance report on the projected cost of the System 26

Performance report on ISC's progress in meeting its stated objectives including the System's benefits 26

Obtaining these reports 26

Exhibit 1: Recommendations from our previous Report 27

Executive summary

Information Services Corporation of Saskatchewan (ISC) is currently implementing a new automated land title system (the System). In our 2001 Fall Report – Volume 2, we reported ISC had good project management practices to implement the System except for processes to measure, verify, and report on the System's benefits. The debate of whether a program or project is worthwhile belongs with the legislators and the public. To have an informed debate, legislators and the public need reliable information about a program or a project's planned costs and benefits, the actual costs incurred, and the benefits achieved.

The Standing Committee on Crown Corporations (Committee), an all-party committee of the Assembly, asked our Office to amend the annual audit plan for ISC to provide reports to the Committee on the costs, financing, and benefits of the System. We agreed.

We are currently working with management and Deloitte & Touche, ISC's appointed auditor, to audit three reports that cover the costs, financing, and the benefits of the System. The Committee expects these reports in the spring of 2002. These reports will be available from Clerk of the Legislative Assembly after the reports are given to the Committee.

Introduction

The Information Service Corporation of Saskatchewan (ISC) was established as a subsidiary of the Crown Investments Corporation of Saskatchewan effective January 1, 2000. ISC is responsible for administering Saskatchewan's land titles system, geographical information system, and personal property registry.

Since its inception, ISC has been developing the Government's new automated land titles system (System). Cabinet approved a $58 million budget for the System. The System is large and complex. It will transform Saskatchewan's paper-based land records at land titles offices into an electronic system. The System includes major changes in policies, business processes, land title fees, culture, legislation and regulations, and ongoing organizational development. ISC also has to convert millions of pages of paper documents to electronic records and integrate land records with the survey plans and the Saskatchewan Geographical Information System.

At December 31, 2001, ISC held assets of $55.6 million, had revenues of $36.7 million, and expenses of $43.0 million. ISC's 2001 annual report includes its financial statements.

Background

Large complex information technology projects are risky. Sound project management processes can reduce these risks and increase the likelihood of a project's success.

In 2001, we did an audit to determine whether ISC had adequate project management processes to implement the System. We reported the results of this audit in Chapter 1 of our 2001 Fall Report – Volume 2. We found that ISC had adequate project management processes to implement the System except for processes to measure, verify, and report on the System's benefits. We made five recommendations to improve the likelihood of ISC successfully completing the System (see Exhibit 1). The recommendations continue and we plan to report on ISC's implementation of these recommendations in a future report.

On December 6, 2001, members of the Standing Committee on Public Accounts (PAC) asked questions about the System's financing, its costs, and whether ISC was meeting its stated objectives. PAC referred the questions to the Standing Committee on Crown Corporations (Committee). The questions were:

1. Why has ISC's Debt increased to $55 million?

2. What is the total projected cost for the land titles automation project and how does this compare with its original budget?

3. Is ISC meeting its stated objectives in terms of costs, implementation timelines, marketing of the land titles system, etc.?

On December 11, 2001, the Committee considered these questions and asked that the year-end audit of ISC be amended to provide additional audit reports related to the following matters:

1. On the matter of the $55 million debt, to identify the key expenditure segments for ISC and the corresponding revenue and budgets at 2001 year-end;

2. On the matter of the project's costs in relation to the original approved budget, to identify the projected costs to complete the LAND project against the assumptions of actual cost of work completed and the assumptions used by ISC to make the projections; and

3. On the matter of ISC meeting its stated objectives, to review progress of the Corporation with regard to its stated objectives including the stated benefits of the LAND project.

Our audit conclusions and findings

Our Office worked with Deloitte & Touche, ISC's appointed auditor, using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view a copy of this report, see our web site at http://www.auditor.sk.ca/rrd.html). Deloitte & Touche and our Office formed the following opinions.

In our opinion for the year ended December 31, 2001:

- **ISC's financial statements are reliable;**
- **ISC had adequate rules and procedures to safeguard and control its assets;**
- **ISC complied with authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.**

As described earlier, the Committee asked that the ISC audit for the December 31, 2001 fiscal year be expanded to address the three additional matters. We expanded our audit plan to report on these matters. We are working with Deloitte & Touche to carry out this work.

At the date of this report, we have not completed the audits of the three matters the Committee requested. When these audits are finished, we will report the results to the Committee.

Performance report on ISC's financing requirements

We are working on a report that provides the information requested by the Committee on why ISC's debt is projected to increase to $55 million by March 31, 2002. This report will show ISC's major sources and uses of public money from its inception on January 1, 2000 to December 31, 2001. The report will also show a projection of ISC's financing requirements from January 1, 2002 to March 31, 2002. The report also will show the public money ISC planned to receive from each source and what it actually did receive. In addition, the report will provide explanations of the significant differences between the planned and actual sources and uses of public money.

The audited performance information will help the Legislators and the public to understand why ISC's debt was expected to increase to $55 million by March 31, 2002.

Performance report on the projected cost of the System

We are working on a report that provides the information requested by the Committee on the projected cost of the System. This report will show the project's key components, the planned costs, the actual costs incurred as at December 31, 2001, and the projected cost to complete each component. The report will also provide explanations for the differences between the System's planned and projected costs. In addition, it will describe the key risks and assumptions that impact the projected cost to complete the System.

The audited performance information will help the Legislators and the public to understand the total projected cost for the System and how this cost compares to the System's original budget.

Performance report on ISC's progress in meeting its stated objectives including the System's benefits

We are working on a report that provides the information requested by the Committee on whether ISC is meeting its stated objectives including objectives related to the System's benefits. This report will show for each ISC objective and benefit, how ISC measures its progress towards achieving the objective and benefit, what it expected to achieve by a given date, and what it actually did achieve.

The audited performance information will help the Legislators and the public to understand whether ISC is meeting its stated objectives including the System's benefits.

Obtaining these reports

When these three reports are given to the Committee, Legislators and the public will be able to obtain them from the Clerk of the Legislative Assembly. These reports will help readers understand ISC's financing, the System's costs, and whether ISC is meeting its stated objectives including the System's benefits.

Exhibit 1: Recommendations from our previous Report

In Chapter 1, 2001 Fall Report – Volume 2, we recommend ISC should:

- strongly encourage key outside users to take training before conducting business using the System and that ISC continue to monitor outside user feedback;
- set measurable and verifiable System benefits and report publicly on the achievement of all planned benefits;
- perform a post-implementation review of the System project and make the results available to all government organizations;
- receive monthly reports on the comparison between actual costs to date on the System to the budget to date; and
- complete, test, and approve its business continuity plan.

This page left blank intentionally.

Saskatchewan Government Growth Fund

3

Executive summary **30**

Introduction **31**

Background 31

Financial results 33

Audit conclusions and findings **33**

Need to comply with investment rules 34

Executive summary

This chapter sets out the results of our audits of the Saskatchewan Government Growth Fund Management Corporation and its eight venture capital fund companies.

The Government created the Saskatchewan Government Growth Fund Management Corporation (Management Corporation) to manage the monies it received under the Federal Government's Immigrant Investor Program.

Management Corporation and its fund companies have reliable financial statements for the year ended December 31, 2001. During 2001, Management Corporation had adequate rules and procedures to safeguard and control its assets and those of the fund companies. Management Corporation also complied with the authorities governing its activities and those of the fund companies except that it has not met all the requirements of the *Immigration Regulations (Canada)*. Specifically, Management Corporation has:

- not invested the required amount of monies in eligible businesses;
- invested some monies in ineligible businesses; and
- incorrectly determined the start date of the five-year holding period of securities it issued to some immigrant investors.

Management Corporation is taking steps to meet all the requirements of the *Immigration Regulations (Canada)*. The Federal Government is monitoring the progress.

Introduction

The Government created Saskatchewan Government Growth Fund Management Corporation (Management Corporation) to manage the monies it received under the Federal Government's Immigrant Investor Program. As of December 31, 2001, Management Corporation has created eight venture capital fund companies (fund companies) to manage the immigrant investors' monies. Management Corporation charges the fund companies for its services.

One of the desired outcomes of the Federal Immigrant Investor Program is to stimulate economic growth. The investment objectives of the fund companies range from investing in high-risk small to medium Saskatchewan businesses to investing in companies that lease assets to the Government of Saskatchewan. The required structure of the fund companies is set by the Immigrant Investor Program such that the immigrant investors bear all losses, if any.

Background

The Federal Immigrant Investor Program provides a mechanism by which investors may obtain, subject to meeting immigration requirements, an immigration visa once they have made a minimum investment of $250,000. The investment must be for a period of at least five years and be made in Saskatchewan small business ventures that contribute to business expansion.

The eight venture capital fund companies are:

Saskatchewan Government Growth Fund Ltd. (SGGF I),
Saskatchewan Government Growth Fund II Ltd. (SGGF II),
Saskatchewan Government Growth Fund III Ltd. (SGGF III),
Saskatchewan Government Growth Fund IV Ltd. (SGGF IV),
Saskatchewan Government Growth Fund V (1997) Ltd. (SGGF V),
Saskatchewan Government Growth Fund VI Ltd. (SGGF VI),
Saskatchewan Government Growth Fund VII Ltd. (SGGF VII), and
Saskatchewan Government Growth Fund VIII Ltd. (SGGF VIII).

In 1997, to deal with increased competition for immigrant investor monies from other Canadian venture capital funds participating in the Immigrant

Investor Program, Management Corporation adjusted its marketing and investing strategies. Management Corporation reduced the financial risk to immigrants by investing in companies that leased assets to Saskatchewan Crown corporations. The reduced financial risk allowed Management Corporation to arrange financing for immigrant investors for a portion (up to $175,000) of their $250,000 investment in the fund companies. For example, Management Corporation marketed SGGF IV, SGGF V, SGGF, VI, SGGF VII, and SGGF VIII on the basis that up to 50% of the immigrants' monies would be invested in companies that lease assets leased to Crown corporations, up to 30% would be invested in high-risk small or medium-sized businesses, and 20% would be in liquid securities.

In order to invest in leased assets to Crown corporations, Management Corporation set up and invested fund companies' monies in two numbered companies, 617275 Saskatchewan Ltd and 101005716 Saskatchewan Ltd. These two numbered companies borrowed monies from the fund companies to buy assets that they leased to Saskatchewan Crown corporations.

The fund companies were closed to new investors in 1999. As a result, the only new monies flowing into the fund companies are for immigrant investors who had put a deposit down prior to the closure of SGGF V through VIII and who have been accepted by the Federal Government as immigrants.

Effective October 1, 2000, the Board of Management Corporation and the Boards of the fund companies made a ten-year agreement with Crown Capital Partners Inc. (CCP). At that date, the staff of Management Corporation resigned and became the staff of CCP. CCP provides the Boards of Management Corporation and the fund companies with management, investment, and administrative services. CCP charges a fee to Management Corporation for these services. In addition, Crown Investments Corporation of Saskatchewan staff helps the Boards oversee operations, including the services provided by CCP.

Financial results

The annual reports of Management Corporation and those of its fund companies contain their respective financial statements. A summary of the financial results for the years ended December 31 is shown below.

	2001		2000	
	(in thousands of dollars)			
	Assets	Liabilities	Assets	Liabilities
Management Corporation	$ 4,345	$ 239	$ 7,710	$ 867
SGGF I	3,990	171	7,349	803
SGGF II	4,298	13,239	7,626	13,408
SGGF III	19,952	24,816	26,968	27,784
SGGF IV	34,270	33,236	35,882	34,059
SGGF V	29,695	29,040	29,965	28,706
SGGF VI	23,219	23,291	19,718	19,228
SGGF VII	22,317	22,585	16,895	16,564
SGGF VIII	15,598	15,591	9,716	9,625

The financial results of SGGF I are included with Management Corporation as all its security holders (i.e., immigrant investors) have been paid out. The immigrant investors' securities (bonds or notes) issued by SGGF II and SGGF III have matured or will mature shortly. Because of investment losses in these fund companies, Management Corporation cannot pay out the full amount to the remaining immigrant investors that these two fund companies owe them. Management Corporation has quit repaying investors in SGGF II and is making only partial payments to SGGF III investors until it liquidates all the investments held by these fund companies.

Separate audited financial statements do not exist for the two numbered companies. The financial results of 617275 Saskatchewan Ltd. are included in the financial results of SGGF III, SGGF IV, and SGGF V. The financial results of 101005716 Saskatchewan Ltd. are included in the financial results of SGGF V, SGGF VI, SGGF VII, and SGGF VIII.

Audit conclusions and findings

Our Office worked with Deloitte & Touche, the appointed auditor for Management Corporation, SGGF I, SGGF II, SGGF III, SGGF IV,

SGGF V, SGGF VI, SGGF VII, and SGGF VIII using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view a copy of this report, see our web site at http://www.auditor.sk.ca/rrd.html). Deloitte & Touche and our Office formed the following opinions.

In our opinion:

- **The financial statements of Management Corporation, SGGF I, SGGF II, SGGF III, SGGF IV, SGGF V, SGGF VI, SGGF VII, and SGGF VIII for the year ended December 31, 2001 are reliable;**

- **Management Corporation had adequate rules and procedures to safeguard and control its and SGGF I, II, III, IV, V, VI, VII, and VIII's assets; and**

- **Management Corporation complied with authorities governing its and SGGF I, II, III, IV, V, VI, VII, and VIII's activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matters described later in this report.**

We did not form separate opinions on the adequacy of control systems for 617275 Saskatchewan Ltd., and 1010051716 Saskatchewan Ltd. or on their compliance with governing authorities. The two numbered companies are operated as divisions of the fund companies.

Need to comply with investment rules

Management Corporation did not meet certain requirements of the *Immigration Regulations (Canada)* for SGGF III, SGGF IV, SGGF V, SGGF VI, SGGF VII, and SGGF VIII.

The Immigration Regulations and guidelines set out the requirements of the Immigrant Investor Program. These requirements also form part of the immigrant investors' security Offering Memoranda. These memoranda are legal contracts between the investors and the Government of Saskatchewan.

The *Immigration Regulations* and the offering memoranda require that 70% of the immigrant investors' monies be invested in eligible businesses within nine months from the date immigrant investors place their monies in a fund. Also, investors' monies are locked into the fund for a minimum period of five years. The Regulations define eligible business as a Saskatchewan small business that controls total assets of less than $35 million.

We previously reported in our 1995, 1996, and 1997 Fall Reports that Management Corporation had not met the *Immigration Regulations* 70% investment threshold within the given time. The Standing Committee on Public Accounts (PAC) considered this matter and concluded that due to Management Corporation's need to do adequate due diligence in finding suitable investments, an unavoidable time lag may occur. Therefore, Management Corporation would not meet the 70% investment threshold within the nine-month timeframe.

We complied with PAC's request to inform the Office of the Auditor General of Canada about Management Corporation's non-compliance with the *Immigration Regulations*. The Auditor General wrote to us and said that the Department of Citizenship and Immigration was aware significant improvements needed to be made to the Immigrant Investor Program.

We did not report to the Legislative Assembly, Management Corporation's non-compliance with the *Immigration Regulations* or its contractual obligations under the security Offering Memoranda for the 1998, 1999, and 2000 fiscal years. However, we remained concerned that the problem continues to exist.

The intent of the *Immigrant Regulations* is to contribute to business expansion through investments in Canadian small businesses. In our 1999 Spring Report, we reported that the numbered companies existed to get around the *Immigration Regulations* of not permitting the investment of immigrants' monies in Crown corporations.

In 2000, the Federal Government audited Management Corporation's compliance with the Immigrant Investor Program and reported its results in 2001. It found that Management Corporation did not comply with

certain of the *Immigration Regulations*. Specifically, the Federal Government reported that:

- Management Corporation had not invested a minimum of 70% of the immigrant investors' monies in eligible businesses for SGGF V, SGGF VI, SGGF VII and SGGF VIII within nine months or receipt of investors' monies.

- Management Corporation invested immigrants' monies in ineligible businesses. The numbered companies, 617275 Saskatchewan Ltd., and 1010051716 Saskatchewan Ltd., are not eligible businesses as defined by the *Immigration Regulations*. Management Corporation invested $39.9 million of SGGF III through SGGF VIII's monies in these numbered companies.

  The Federal Government ruled that these investments were ineligible because of the Provincial Government's control of these companies and the fund companies. As a result, the numbered companies did not qualify as eligible Saskatchewan small businesses.

- Management Corporation incorrectly determined the start date of the minimum five-year holding period for the securities held by investors of SGGF V, SGGF VI, SGGF VII and SGGF VIII. The revised start date extends the length of time that fund companies hold immigrant investors' monies.

During 2001, Management Corporation and its fund companies took the following steps to comply with the *Immigration Regulations*.

1. Management Corporation and its fund companies made additional investments in eligible businesses. As of December 31, 2001, Management Corporation has not yet reached the 70% investment requirement for SGGF funds V, VI, VII, and VIII.

2. Based on legal advice, Management Corporation sold the leased assets owned by the numbered companies to two private investors, Cajon Leasing and R & R Leasing. The annual reports of the fund companies state these companies purchase assets for lease to Saskatchewan Crown corporations. The reports also show that these

companies buy the assets with monies they borrow from the fund companies.

3. Management Corporation and the fund companies recalculated the start date for the holding period of the securities for SGGF V, SGGF VI, SGGF VII, and SGGF VIII and informed the affected security holders of the changes.

In 2001, Cajon Leasing made two lease agreements with two Crown corporations (Saskatchewan Liquor and Gaming and Saskatchewan Property Management Corporation) totalling $9.3 million. These lease agreements transferred the risks and rewards of ownership of the leased assets from Cajon to the Crown. The *Immigration Regulations* do not deem these kinds of leases as eligible investments for the purpose of meeting with the 70% investment requirement.

Management Corporation has told us that it, Cajon Leasing, and the two Crown corporations are in the process of changing these lease agreements to ensure that these leases qualify as eligible investments. Also, we understand that by June 2002 the Federal Government is to review the corrective measures taken by Management Corporation's to comply with the *Immigration Regulations*.

This page left blank intentionally.

Saskatchewan Water Corporation

4

Executive summary **40**

Introduction **41**

Our audit conclusions and findings **41**

Better security needed 42

Annual Report needs improvement 42

List of persons who received public money 43

Executive summary

In this chapter, we report the results of our audit of Saskatchewan Water Corporation (SaskWater) for the year ended December 31, 2001. We concluded that SaskWater's 2001 financial statements are reliable. When we examined SaskWater's practices to safeguard public resources, we concluded that SaskWater needs to continue to strengthen security over its information technology systems and data. We also found that SaskWater complied with the authorities governing its activities.

SaskWater has made significant progress in improving the quality of its annual report. We encourage it to continue its progress by describing the risks it faces in achieving its objectives and the reasons for differences between planned and actual results. In addition, SaskWater should annually publish a list of persons who receive money from SaskWater.

Introduction

The Saskatchewan Water Corporation (SaskWater) operates under the authority of *The Water Corporation Act*. SaskWater manages, develops, controls, and protects the water and related land resources of Saskatchewan. SaskWater has three main lines of business: water management, water supply and services, and water-based economic development.

At December 31, 2001, SaskWater held assets of $70.3 million, had revenues of $28.0 million, and had expenses of $32.2 million. SaskWater's 2001 Annual Report includes its financial statements.

This chapter contains our audit conclusions and findings regarding SaskWater for the year ended December 31, 2001.

Our audit conclusions and findings

Our Office worked with PricewaterhouseCoopers, the appointed auditor for SaskWater, using the framework recommended in the *Report of the Task Force on Roles, Responsibilities, and Duties of Auditors* (to view a copy of this report, see our web site at http://www.auditor.sk.ca/rrd.html). The appointed auditor and our Office formed the opinions below.

In our opinion, for the year ended December 31, 2001:

- **SaskWater's financial statements are reliable;**
- **SaskWater had adequate rules and procedures to safeguard and control its assets except that it should set appropriate security policies for its information technology systems and data; and**
- **SaskWater complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.**

We also report two other matters for the attention of the Legislative Assembly.

Better security needed

In past reports to the Assembly, we recommended that SaskWater should set appropriate security policies for its information technology (IT) systems and data. In December 2001, the Standing Committee on Crown Corporations concurred with this recommendation.

SaskWater depends on a number of IT systems to deliver its services to customers, ensure compliance with acts and regulations governing its services, and manage its financial affairs. As a result, SaskWater must protect its IT systems and data from unauthorized access and changes and accidental or deliberate destruction.

SaskWater has established a number of security practices to protect its IT systems and data. It does not, however, have complete and approved security policies for these systems and data. As a result, SaskWater could incur financial losses caused by the release of confidential information, decisions based on incorrect information, or the loss of information.

During 2001, SaskWater improved some of its IT security practices but it does not yet have a formal corporate security policy or an approved and tested disaster recovery plan. As a result, we continue to recommend that SaskWater should set appropriate security policies for its IT systems and data.

Management told us that SaskWater intends to implement security policies and procedures based on the security guidelines that the Government is currently developing.

Annual Report needs improvement

In past reports to the Assembly, we recommended that SaskWater should improve its annual reports by clearly describing the extent to which it has achieved its plans. In December 2001, the Standing Committee on Crown Corporations concurred with this recommendation.

To assess the performance of a public sector agency, the Assembly and the public need adequate information about the agency's plans and the agency's achievement of those plans. Public sector agencies should

provide their vision, long-term goals, specific objectives, key performance targets, and main strategies for achieving these plans. They should also report the extent to which they have achieved these plans.

We reviewed SaskWater's 2001 Annual Report for the year ended December 31, 2001. We are pleased to report that this Report includes significant improvements over prior reports. It provides most of the information that annual reports should provide. The Report sets out SaskWater's vision, mission, objectives, measures, and targets for 2001. It also sets out the actual results for the year for each of these targets. We encourage SaskWater to make further improvements to its future annual reports. Future reports should describe the key risks that SaskWater faces in achieving its objectives and should provide reasons for significant differences between planned and actual results.

List of persons who received public money

In past reports, we recommended that SaskWater should annually provide the Assembly with a list of persons who received public money. See Chapter 5 (Crown Investments Corporation of Saskatchewan) for an update on this matter.

This page left blank intentionally.

Crown Investments Corporation of Saskatchewan

5

Executive summary 46

Introduction 47

Our audit conclusions and findings 47

Public accountability information 49

List of persons who received public money 49

Exhibit 1 – CIC Crown corporations and related entities at December 31, 2001 52

Exhibit 2 – Suggested criteria for MLAs' use in deciding what information government agencies should disclose and to whom 54

Executive summary

Crown Investments Corporation of Saskatchewan (CIC) is the holding company for many of Saskatchewan's Crown corporations such as Saskatchewan Power Corporation, SaskEnergy Incorporated, and Saskatchewan Telecommunications Holding Corporation. CIC is responsible for establishing the strategic direction for these corporations and for monitoring their performance. It is also responsible for managing a diverse portfolio of investments.

In this chapter, we report the results of the audit of CIC for the year ended December 31, 2001 and eight other entities it controls. For each entity whose audit is complete, we concluded that the financial statements are reliable, the systems of internal control are functioning adequately; and the governing authorities have been complied with.

We recommend that CIC and its subsidiaries should give the Legislative Assembly a list of persons who received public money from them, or seek direction on alternate disclosure requirements from the Crown Corporations Committee.

We also recommend that the Committee should follow the process set out in Exhibit 2 at the end of this chapter for deciding what information government agencies should disclose and to whom. The Committee asked CIC and our Office to examine this issue together and report to the Committee in June 2002.

Introduction

Crown Investments Corporation of Saskatchewan (CIC) is the holding company for many of Saskatchewan's Crown corporations such as Saskatchewan Power Corporation, SaskEnergy Incorporated, and Saskatchewan Telecommunications Holding Corporation. CIC is responsible for establishing the strategic direction for these corporations and for monitoring their performance. It is also responsible for managing a diverse portfolio of investments. Management of CIC advises CIC's Board of Directors about the entities under CIC's control. In turn, CIC's Board provides advice about these entities to Executive Council (Cabinet). A complete list of these entities is provided in Exhibit 1 at the end of this chapter.

CIC's *2001 Annual Report* contains three sets of financial statements. The first set shows CIC's financial results consolidated with those of its subsidiaries. The second set shows the financial results of activities of CIC, the legal entity. The third set shows the financial results of activities that CIC manages through its subsidiary CIC Industrial Interests Inc. (CIC III).

The 2001 consolidated financial statements show CIC had revenue of $3.4 billion, net income of $132 million, and held assets of $8.2 billion.

Our audit conclusions and findings

This chapter contains our audit conclusions and findings for:

- Entities with 2000 fiscal year-ends, which were not completed in time to include in our 2001 Spring or Fall Report:
  - 101012875 Saskatchewan Ltd., which holds CIC's investment in Foragen Technologies Limited Partnership;
  - 101012876 Saskatchewan Ltd., which holds CIC's investment in Foragen Technologies Management Inc.
- Entities with 2001 fiscal year-ends:
  - CIC (includes CIC III);
  - CIC Pulp Ltd., which holds CIC's investment in Meadow Lake Pulp Limited Partnership;

- CIC Foods Inc., which holds CIC's investment in Centennial Foods Partnership;
- Genex Swine Group Inc., a swine genetics company;
- Saskatchewan Valley Potato Corporation, a potato production and storage company; and
- Capital Pension Plan, a multi-employer pension plan.

The 2001 audits of 101012875 Saskatchewan Ltd. and 101012876 Saskatchewan Ltd. have not been completed. We will report the results of these audits in a future report.

Our Office worked with the following appointed auditors using the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view this report, see our website at http://www.auditor.sk.ca/rrd.html).

- Hill McKillop Orr & Company – for 101012875 Saskatchewan Ltd. and 101012876 Saskatchewan Ltd.; and
- KPMG – for each of the other entities listed above.

For each of these entities, our Office and the appointed auditors formed the following opinions.

In our opinion, for the audits we have completed:

- **the financial statements of these entities are reliable;**
- **these entities had adequate rules and procedures to safeguard and control their assets; and**
- **these entities complied with authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.**

The following matter relates to the public accountability of CIC and its subsidiary Crown corporations.

Public accountability information

List of persons who received public money

CIC and its subsidiaries did not give the Legislative Assembly a list of persons who received public money in 2001.

Public disclosure is important for three reasons. First, public disclosure serves to remind all government officials that they are spending money that is entrusted to them by the public. Second, public disclosure adds rigour to decision-making as it ensures that those who spend public money know their use of that money will be public. Third, public disclosure ensures that the public knows who has received their money.

We think that Members of the Legislative Assembly (MLAs) have the following three objectives for requiring public disclosure of those persons who receive money from a government agency (e.g., department, Crown corporation).

- MLAs want to monitor who gives money to political parties and who gets money from government agencies;
- MLAs want to ensure government agencies spend money objectively; and
- MLAs want to build public confidence by ensuring that the use of public money is transparent.

To achieve these objectives, the Assembly, through the Standing Committee on Public Accounts (PAC), has established the following general standard of public disclosure of those who received money from government agencies. The Assembly wants government agencies to provide the following information to the Assembly:

- persons who received salaries, wages, honorariums and compensation for personal services of $2,500 or more during the year;
- suppliers of goods and services who received more than $20,000 per year; and
- persons who received transfer payments of more than $5,000 per year.

The Assembly has allowed some exceptions, e.g., payments to social assistance recipients, Workers' Compensation Board payments to injured workers and cases where PAC advised that this information was not necessary to achieve the MLAs' objectives for requiring this information. Also, the Assembly has decided that some payments (e.g., those made to MLAs) should have *more* disclosure than the general standard.

In February 1998, PAC discussed its previous recommendation regarding agencies publishing lists of persons who have received money from them. PAC agreed that the spirit of accountability is of fundamental importance for government. Also, PAC noted that circumstances for every government agency may be unique and may vary and that broad recommendations that blanket all agencies are not appropriate.

CIC and its subsidiaries account for 40% of the Government's spending. If MLAs do not receive information on who received this money, their objectives for requiring public disclosure of persons who receive money from government agencies cannot be met. If their objectives are not being met, it defeats the purpose of incurring the cost to produce this information for the other 60% of the Government's spending. We note that the Crown Corporations Committee currently requests and receives some information about spending by CIC and its subsidiaries, such as expenses for out-of-province travel and payments to board members, senior management and consultants.

In our 2001 Spring Report (Chapter 11, page 206), we recommended:

- Recommendation 2 - CIC and its subsidiaries should:

  - publish a list of persons (e.g., employees, suppliers) who have received money from them and the amounts the persons received, following the Assembly's current disclosure requirements; or

  - seek direction from the Crown Corporations Committee on alternate disclosure requirements that will achieve legislators' objectives for requiring this information.

- Recommendation 3 - The Crown Corporations Committee should follow the process set out in Exhibit 2 for deciding what information government agencies should disclose and to whom.

On December 10, 2001, the Crown Corporations Committee considered these recommendations. Regarding Recommendation 2, the Committee agreed that CIC should continue to provide the information requested by the Committee. Regarding Recommendation 3, the Committee agreed that the matters contained in the Recommendation be referred to CIC and our Office with a report to be made in June 2002.

In February 2002, CIC sent a survey to its subsidiary corporations to seek their input as part of the review. We expect to complete the joint report with CIC in June 2002.

Exhibit 1 – CIC Crown corporations and related entities at December 31, 2001

Crown Investments Corporation of Saskatchewan
- CIC Industrial Interests Inc.
  - CIC Pulp Ltd.
  - CIC Foods Inc.
  - CIC OSB Products Inc. (no activity in 2001)
  - Genex Swine Group Inc.
  - Saskatchewan Valley Potato Corporation
  - 101012875 Saskatchewan Ltd.
  - 101012876 Saskatchewan Ltd.
  - 101026817 Saskatchewan Ltd. (no activity in 2001)
- Capital Pension Plan

Information Services Corporation of Saskatchewan

SaskEnergy Incorporated
- TransGas Limited
- Many Islands Pipe Lines (Canada) Limited
- Bayhurst Gas Limited
- Swan Valley Gas Corporation
- SaskEnergy International Incorporated
  - SaskEnergy Chilean Holdings I Ltd.
  - SaskEnergy Chilean Holdings II Ltd.
    - SaskEnergy Chilean Holdings Limitada

Saskatchewan Development Fund Corporation
Saskatchewan Development Fund

Saskatchewan Government Growth Fund Management Corporation
Saskatchewan Government Growth Fund Ltd.
Saskatchewan Government Growth Fund II Ltd.
Saskatchewan Government Growth Fund III Ltd.
Saskatchewan Government Growth Fund IV Ltd.
Saskatchewan Government Growth Fund V (1997) Ltd.
Saskatchewan Government Growth Fund VI Ltd.
Saskatchewan Government Growth Fund VII Ltd.
Saskatchewan Government Growth Fund VIII Ltd.
617275 Saskatchewan Ltd.
101005716 Saskatchewan Ltd.

Saskatchewan Government Insurance
- SGI Canada Insurance Services Ltd.
- Insurance Corporation of Prince Edward Island
- Coachman Insurance Company

Saskatchewan Government Insurance Superannuation Plan
Saskatchewan Auto Fund

Saskatchewan Opportunities Corporation

Saskatchewan Power Corporation
- SaskPower International Inc.
- Power Greenhouses Inc.
- Northpoint Energy Solutions Inc.

Power Corporation Superannuation Plan

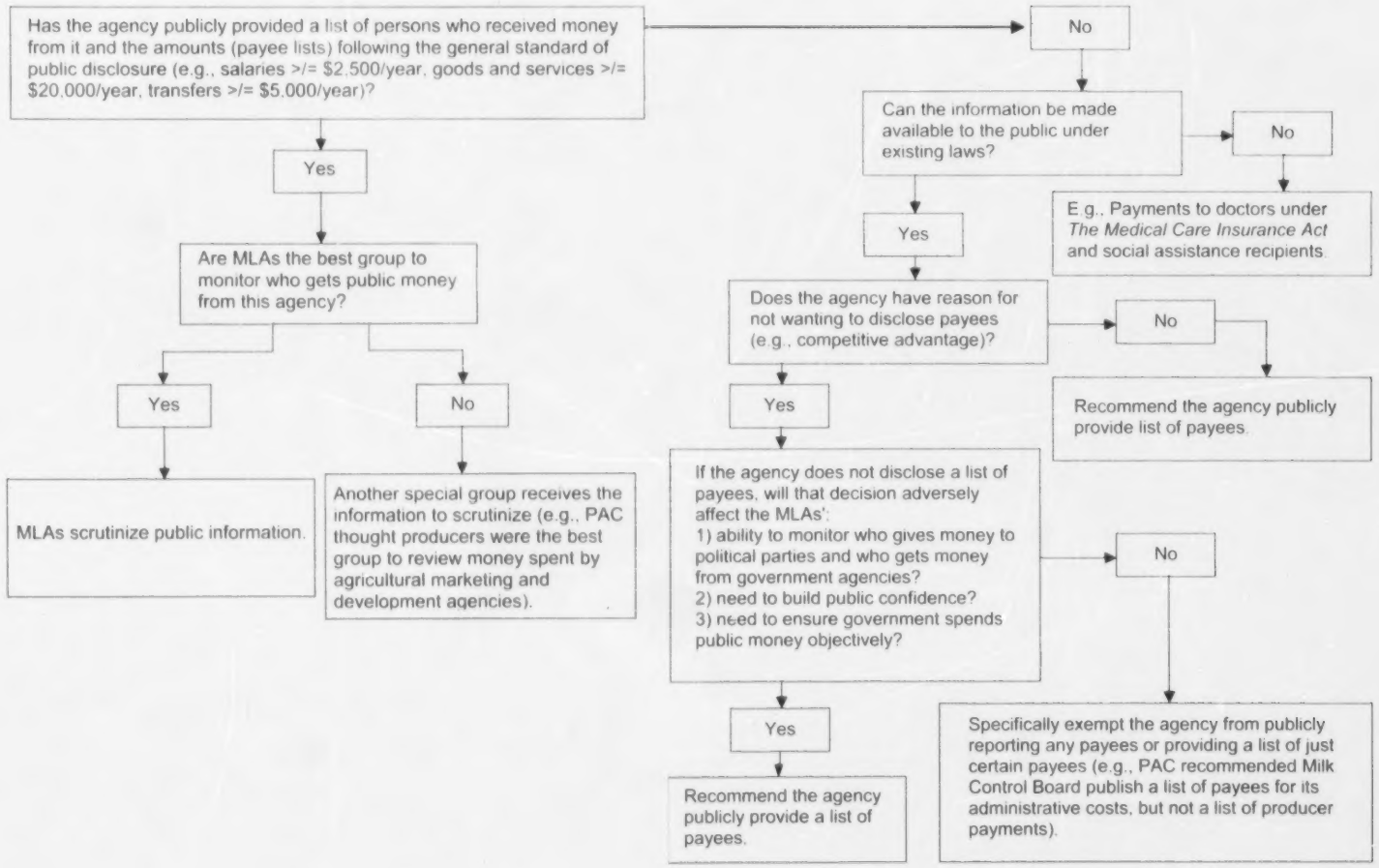
Saskatchewan Telecommunications Holding Corporation
- Saskatchewan Telecommunications
- Saskatchewan Telecommunications International, Inc.
  - SaskTel International Consulting, Inc.
  - SaskTel International (Tanzania) Ltd.
  - Battleford International, Inc.
- Avonlea Holding, Inc.
- Carlyle Holding, Inc.
- Dundurn Holding, Inc.
- Esterhazy Holding, Inc.
- Foam Lake Holding, Inc.
- Jan Lake Holding, Inc.
- Katepwa Lake Holding, Inc.
- Hospitality Network of Canada Inc.
  - Hospitality Network Canada Partnership
- SaskTel Holding (U.K.) Inc.
- SaskTel New Media Fund Inc.
- SecurTek Monitoring Solutions Inc.
  - SecurTek Partnership No. 3
  - Grenfell Holding, Inc.
- 101000606 Saskatchewan Ltd.
- 101000607 Saskatchewan Ltd.
- 620064 Saskatchewan Ltd.
- 3339807 Canada Ltd.
  - The Ag Dealer Ltd.
- 3364381 Canada Ltd.
  - DirectWest Publishing Partnership
- SaskTel Investments Inc.
  - Business Watch international Inc.
  - Hollywood at Home Inc.
  - Retx.com Inc.
  - STI Communications Pty Limited
  - 3231518 Canada Ltd. (Click-a-bid™)
  - SaskTel Holding (Australia), Inc.
  - SaskTel Holding (New Zealand) Inc.
  - SecurTek Partnership No. 4
  - SaskTel Data Exchange Inc.
    - IQA Corporation
    - IQA Partnership
  - Melfort Holding Inc.
  - Nokomis Holding Inc.
  - Outlook Holding Inc.
  - Pleasantdale Holding Inc.
  - Navigata Holding, Inc. (formerly Langenburg Holding Inc.)
    - RSL COM Canada Holdings Inc.
      - RSL COM Canada Inc.
    - TLW Holdings Inc.
      - MK Telecom Network Holdings Inc.
        - MK Telecom Network Inc.

Saskatchewan Telecommunications Pension Plan

Saskatchewan Transportation Company

Saskatchewan Water Corporation

Exhibit 2 – Suggested criteria for MLAs' use in deciding what information government agencies should disclose and to whom


Has the agency publicly provided a list of persons who received money from it and the amounts (payee lists) following the general standard of public disclosure (e.g., salaries >/= $2,500/year, goods and services >/= $20,000/year, transfers >/= $5,000/year)?
No
Can the information be made available to the public under existing laws?
No
E.g., Payments to doctors under The Medical Care Insurance Act and social assistance recipients.
Yes
Are MLAs the best group to monitor who gets public money from this agency?
Yes
Does the agency have reason for not wanting to disclose payees (e.g., competitive advantage)?
No
Recommend the agency publicly provide list of payees.
Yes
No
Yes
MLAs scrutinize public information.
Another special group receives the information to scrutinize (e.g., PAC thought producers were the best group to review money spent by agricultural marketing and development agencies).
If the agency does not disclose a list of payees, will that decision adversely affect the MLAs':
1) ability to monitor who gives money to political parties and who gets money from government agencies?
2) need to build public confidence?
3) need to ensure government spends public money objectively?
No
Yes
Specifically exempt the agency from publicly reporting any payees or providing a list of just certain payees (e.g., PAC recommended Milk Control Board publish a list of payees for its administrative costs, but not a list of producer payments).
Recommend the agency publicly provide a list of payees.

Standing Committee on Crown Corporations

6

Introduction 57

Overview of Committee's role and responsibilities 57

Members of the Committee 58

The Committee's key accomplishments 59

Summary 60

This page left blank intentionally.

Introduction

This chapter provides an overview of the role and responsibilities of the Standing Committee on Crown Corporations (Committee). We briefly describe what the Committee does, how it is structured, and how it works. We discuss the importance of the Committee's deliberations and recommendations. We highlight some of its recent accomplishments.

Overview of Committee's role and responsibilities

At the beginning of each Legislature, the Legislative Assembly appoints members of the Committee. The Assembly refers to the Committee the annual reports and financial statements of Crown corporations and related agencies. The Committee uses these reports to review their operations.

Beginning in 2001, reports (or parts of reports) of our Office that relate to the Crown Investments Corporation of Saskatchewan (CIC) and its subsidiary corporations are referred to the Committee for review. Previously, they were referred to, and reviewed by, the Standing Committee on Public Accounts.

Our Office attends meetings of the Committee to help it in its reviews. When a corporation has an appointed auditor, the Committee also invites the appointed auditor to help in its review.

The Committee focuses its review on corporations that generate revenues from sources other than the General Revenue Fund. During its review, the Committee can inquire about issues of current concern, future objectives, and past performance. Because of the magnitude of financial activity that the Government is managing through Crown corporations, the Committee plays an important role. It helps the Assembly hold the Government accountable for its management of these agencies.

The Committee also requires Crown corporations to submit reports of any significant transactions they enter into. These reports describe the transaction, the objectives of the transaction, its financial implications, and the authority for the transaction. Significant transactions are defined as those that are material in amount and outside the ordinary course of business, or are judged by the Crown corporation to be sensitive and

likely of interest to legislators and the public. As these reports must be submitted with 90 days of the transaction, a more timely review by the Committee is possible.

Ministers responsible for Crown corporations and Crown corporation officials attend the Committee's meetings. They answer questions about the financial results, plans and priorities, and significant transactions of their corporations. Periodically, the Committee formally reports its findings and recommendations to the Assembly.

The Committee's meetings are open to the public. Written records of the Committee's meetings (Hansard verbatims), minutes, and reports are available to the public on the Committee's web page (which is part of the Assembly's Internet web site – http://www.legassembly.sk.ca/Committees/crcocomm.htm).

As with the Public Accounts Committee, this Committee's discussions and recommendations to the Assembly result in a more open and accountable government and in better management of government operations. The Committee's work is crucial in a well-managed parliamentary system of government. The Committee provides a vital link in the chain of accountability over public resources. The work of the Committee also contributes to the public's confidence in our system of government.

Members of the Committee

The current members of the Committee are as follows:

- Harry Van Mulligen, Chair
- Pat Atkinson, Vice-Chair
- Greg Brkich
- David Forbes
- D.F. (Yogi) Huyghebaert
- Carolyn Jones
- Don McMorris
- Peter Prebble
- Kim Trew
- Brad Wall

During 2001-02, the following members also served on the Committee: Graham Addley, Warren McCall, Andrew Thomson, and Kevin Yates.

The Committee's key accomplishments

In the last fiscal year, the Committee reviewed the annual reports and financial statements of several Crown corporations and related entities. In addition, it reviewed Chapters 11 to 14 of our 2001 Spring Report, and Chapter 1 of our 2001 Fall Report – Volume 2, which related to Crown corporations.

During 2001-2002, the Committee met 20 times. On June 21, 2001, it issued a report to the Assembly on its work to that date. The Committee has not yet reported on its work after that date. Some of the highlights of the Committee's work during the year are as follows.

During its review of CIC, the Committee discussed whether the law should be clarified to require CIC Crown corporations to obtain Order in Council approval before purchasing or selling real property through a subsidiary. The Committee asked CIC to review its procedures and to report to the Committee on the pros and cons of changing the legislation. CIC is in the process of preparing this report.

The Committee also discussed the reporting to the Assembly of payee information by Crown corporations. It considered the process that our Office provided for MLAs to use to decide what information government agencies should disclose and to whom. The Committee asked CIC and our Office to further discuss the suggested process and to report to the Committee in June 2002.

During its review of Information Services Corporation of Saskatchewan (ISC), the Committee asked our Office to expand the scope of our 2001 audit of ISC. The Committee asked us to report on the costs, financing, and benefits of the Land Titles Automated Network Delivery (LAND) system. We agreed to do so. We will report to the Committee on these matters in May 2002.

Summary

Increasingly, the Committee's discussions relate to broader issues including strategic plans, key risks to achieving goals and objectives, and performance measurement. We congratulate the Committee on its efforts to foster a more open and accountable government and better management of government operations.

We intend to continue helping the Committee carry out its important responsibilities. We will encourage the implementation of the Committee's recommendations. In future reports, we will monitor the status of its recommendations.

Saskatchewan Gaming Corporation

7

Executive summary **62**

Glossary **63**

Introduction **65**

Our audit conclusions and findings **65**

Code of conduct and conflict of interest policies 65

Integrity of gaming operations 67

Audit criteria 68

Detailed findings 68

Ensuring the gaming equipment, gaming supplies, and gaming staff meet regulatory standards 69

Ensuring the established games meet regulatory and industry standards 70

Ensuring all games are played fairly and consistently. 72

Ensuring the safety and security of gaming public (patrons). 73

Executive summary

This chapter includes the results of our audit of Saskatchewan Gaming Corporation (SGC) for the year ended March 31, 2001.

Overall, SGC has done a good job of managing its affairs. SGC's financial statements are reliable; SGC complied with authorities governing its activities; and SGC had adequate rules and procedures to safeguard and control its assets, except for the recommendations we make in this chapter. The following recommendations are intended to help SGC to improve its practices.

- SGC should establish an appropriate conflict of interest policy for the Board of Directors.
- SGC should establish a code of conduct policy for the entire organization including the Board of Directors.
- SGC should establish rules and procedures to monitor compliance with its established conflict of interest and code of conduct policies.
- SGC should work with Saskatchewan Liquor and Gaming Authority (SLGA) to establish standards for the testing of slot machines by independent gaming laboratories and ensure the laboratories that test slot machines for SGC use those standards.
- SGC should periodically monitor the actual house advantage for table games. Alternatively, SGC should discuss with SLGA other means of monitoring the table games.
- SGC should establish rules and procedures to ensure only authorized employees receive tips from the gaming public (patrons).

Glossary

Chip – a small disc with a designated monetary value, redeemable for cash, which is issued by a casino to a player for use in playing table games.

Token – a small disc with a designated monetary value, redeemable for cash, which is issued by a casino to a player for use in playing slot machines.

Fill – a transaction in which a supply of chips, tokens, or coins is transferred from a casino's cashier to a gaming table or to a slot machine.

Hopper – a container in a slot machine in which tokens or coins are retained by the slot machine to automatically pay accumulated credits/coins.

House advantage – a mathematical calculation of the amount, expressed as a percentage of total money wagered, the casino expects to retain over time from gaming public (patrons) betting on table games.

Jackpot – any money, merchandise, or item of monetary value that is awarded to a player as the result of a specific combination or combinations of characters indicated on a slot machine or under the rule of a mystery jackpot system or as specified under the rules of a table game.

Progressive jackpot – a jackpot that increases in value as a result of cumulative play at independent slot machines, linked slot machines, or one or more table games.

Pay out percentages (slot machines) – the theoretical amount that a slot machine pays out over time reflected as a percentage of the total amount wagered.

Gaming supplier – a person who supplies gaming services to another for the conduct and management of licensed gaming operations

(excluding a landlord who has no interest in the conduct or management of gaming operations).

Gaming services – the sale, rental, lease, gift, exchange, loan, printing, publication, distribution, or manufacturing of any gaming supplies including any lot, card, ticket, paper, slip, symbol, token, coin, machine, device, equipment, or game to operators of gaming establishments (casinos); or the provision of: gaming employees; or promotional, financial, or management services to the operators of casinos.

Gaming employee – a person who is employed by a person licensed to operate a gaming establishment.

Dealer – a person who operates gaming tables.

Table supervisor – a person who is responsible for supervising dealers and monitoring table game operations.

Pit manager – a person who is responsible for supervising table supervisors and dealers and monitoring table game operations.

Table games – games that are played at a table in a casino and involve one or more players usually wagering against the casino bankroll.

Surveillance staff – people who are responsible for monitoring all activity within a casino through observation or the use of cameras.

Introduction

Saskatchewan Gaming Corporation (SGC) manages and operates Casino Regina. Casino Regina is a full service casino that has 620 slot machines and 37 table games.

Casino Regina began operations in January 1996. Since Casino Regina began operations, SGC's gaming revenue from Casino Regina has increased significantly from $12 million in 1996 to approximately $59 million in 2001. In 2001, SGC earned approximately $50 million revenue from slot machines and approximately $9 million revenue from table games.

In 2001, SGC had total revenue of $63 million, expenses of $40 million, and net income of $23 million. At March 31, 2001, SGC held assets of $48 million. SGC's *Annual Report 2000-2001* includes its financial statements.

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2001:

- **SGC's financial statements are reliable;**
- **SGC had adequate rules and procedures to safeguard and control its assets, except for the matters described in this chapter; and**
- **SGC complied with authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.**

Code of conduct and conflict of interest policies

SGC needs to establish an appropriate code of conduct for the entire organization including the members of the Board of Directors. Also, SGC needs to establish an appropriate conflict of interest policy for the Board of Directors.

Organizations should have a code of conduct (shared ethical values) and communicate that code to their employees. Organizations need a code of conduct because it influences all behaviour in the organization. An organization's code of conduct provides its employees the organization's expectations concerning behaviour. The organization's code of conduct should extend not only to specific areas where society's expectations are included in the law, but also to issues of general morality[1]. The organization should then ask its employees periodically to confirm their understanding and compliance with the code of conduct.

The Board functions as the guardian of the organization's values and as its conscience. Accordingly, directors should pay attention to any discomfort about behaviour and proposals, particularly if the discomfort relates to executive management or fellow directors. If behaviour or a proposal is not consistent with the directors' sense of what is right, it may also breach the organization's code of conduct. Appropriate behaviour and proposals are important especially when there are perceived or real conflicts of interest.

To fulfil their fiduciary obligations to SGC, Board members must avoid any real or perceived conflicts of interest. They must understand that their primary duty is to act in the best interest of the Corporation. Board members must place the interests of SGC ahead of their own interests or interests of any associate. Part VI of *The Crown Corporations Act, 1993* (Act) applies to SGC. Part VI of the Act sets out rules similar to what we describe above for directors' and officers' duty of care and conflict of interest.

SGC has established an appropriate conflict of interest policy for its employees. However, it did not have a conflict of interest policy for the Board of Directors. Nor did it have a code of conduct for its employees and the Board of Directors. SGC should establish a conflict of interest policy for the Board of Directors and a code of conduct for the entire organization.

Also, the Board's minutes should document the nature of any Board member's conflict of interest and how the Board resolved it. Such documentation would be helpful for maintaining public confidence especially in case of controversy about the Board's actions.

[1] Guidance for Directors – Governance processes for Control by The Canadian Institute of Chartered Accountants.

To ensure it deals with all conflicts and perceived conflicts, the Board should adopt a policy requiring the declaration of conflicts at each meeting before the agenda is approved. The Board should then document in the minutes whether or not it faced any conflict of interest issues and how it dealt with them.

1. **We recommend that:**

   - **SGC should establish a conflict of interest policy for the Board of Directors;**
   - **SGC should establish a code of conduct for the entire organization including the Board of Directors; and**
   - **SGC should establish rules and procedures to monitor compliance with its conflict of interest and code of conduct policies.**

SGC told us that the Board of Directors has approved a code of conduct including conflict of interest guidelines for the Board members. SGC also told us that the new code of conduct and conflict of interest guidelines took effect on April 1, 2001.

Integrity of gaming operations

As stated earlier, since opening of Casino Regina, SGC's gaming revenue has increased significantly from $12 million in 1996 to approximately $59 million in 2001. In 2001, SGC earned approximately $50 million revenue from slot machines and approximately $9 million revenue from table games.

Saskatchewan Liquor and Gaming Authority (SLGA) regulates all gaming activities in the province.

In 1999, SGC identified the key risks[2] that it must manage well to ensure the continued success and long-term viability of Casino Regina. One of those risks relates to integrity (fairness and legality) of games. SGC views its systems and practices to ensure the integrity of gaming operations as

[2] Saskatchewan Gaming Corporation – *Annual Report 1999-2000.*

important. To maximize revenue, SGC must maintain the confidence of the gaming public (patrons) in the integrity of gaming operations, so that patrons continue to visit the casino. This year, we examined more closely SGC's systems and practices to ensure the integrity of its gaming operations. SGC's Board of Directors, management, and staff co-operated with us throughout the audit. We appreciate their support and thank them.

Audit criteria

Auditors need criteria to evaluate the matters that they audit. Criteria are reasonable and attainable standards of performance and control against which auditors can assess the adequacy of systems and practices.

We developed the criteria after reviewing relevant literature on integrity of gaming operations. We discussed the criteria with SGC's management, made necessary changes, and obtained management's agreement that the criteria are reasonable and attainable.

The agreed upon criteria are that SGC should have systems and practices to ensure:

- gaming equipment, gaming supplies, and gaming staff meet regulatory standards;
- established games meet regulatory and industry standards;
- games are played fairly and consistently; and
- the security and safety of the gaming public (patrons).

Detailed findings

We provide our findings for each criterion below.

Ensuring the gaming equipment, gaming supplies, and gaming staff meet regulatory standards

We expected SGC to have rules and procedures to ensure that:

1. *all gaming equipment is purchased from registered gaming suppliers;*
2. *all gaming equipment is tested before use;*
3. *slot machine pay out percentages comply with the law;*
4. *all wagers are made with coins, chips, or Casino Regina tokens;*
5. *all table games are approved by SLGA, betting limits are clearly posted, and the rules of the games are available to players for reference;*
6. *all gaming supplies are purchased from registered gaming suppliers; and*
7. *all gaming employees are registered with SLGA.*

SGC had adequate systems and practices to ensure gaming equipment, gaming supplies, and gaming staff meet regulatory standards except for item 2 above (i.e., the rules and procedures to ensure all gaming equipment is tested before use). SGC does, however, ensure that the slot machines in use do pay out the percentages set out in law (i.e., minimum of 85% and no more than 100%).

SGC's policy requires that all slot machine electronic systems (software) are tested by an independent gaming laboratory prior to use. Such independent testing of software is necessary to ensure the pay out percentages of slot machines are consistent with the pay out percentages set out in law. Also, independent testing provides assurance on the technical integrity of the software (random number generation etc.).

The independent laboratory certifies to SGC that the machines have been tested in accordance with the standards set by the regulator. However, SGC does not know what standards the laboratory used to test the slot machines because SLGA and SGC have not established standards for the laboratories to test slot machines. Also, SGC does not have a formal agreement with the testing laboratory setting out what it should test and what assurance it needs to provide to SGC.

2. We recommend that SGC should:

- **work with SLGA to establish standards for the testing of slot machines by independent gaming laboratories; and**
- **ensure the laboratories that test slot machines for SGC use those standards.**

SGC told us that it is currently working with SLGA to establish standards for the laboratories to test slot machines.

Ensuring the established games meet regulatory and industry standards.

We expected SGC to have adequate rules and procedures to:

1. *monitor gaming results to ensure slot machine pay out percentages comply with the law;*
2. *safeguard the slot machine software and equipment and to ensure displayed progressive jackpot amounts are accurate;*
3. *ensure all table games are approved by SLGA, betting limits are clearly posted, and the rules of the games are available to players for reference;*
4. *monitor the house advantage to ensure it is consistent with the house advantage approved by SLGA;*
5. *ensure table games are played in accordance with the rules of the game approved by SLGA; and*
6. *ensure gaming staff have adequate identification on their person at all times.*

SGC has adequate systems and practices to ensure that all established games meet regulatory and industry standards except for item 4 above (i.e., rules and procedures to monitor the house advantage on table games to ensure it is consistent with the house advantage approved by SLGA).

SLGA, as part of table game rules, approves the planned house advantage. The planned house advantage is the percentage of the

money bet by the players that SGC expects to retain over time from the gaming public (patron) if the game is played according to the approved rules.

The house advantage varies depending on the rules of a particular game and the technology used (e.g. automatic card shufflers). SGC requires all gaming staff to strictly follow the table game rules approved by SLGA. SGC's training program for dealers includes teaching them the rules of the table games. Table game supervisors and pit managers know the rules and monitor how dealers and the gaming public (patrons) play the games. In addition, surveillance staff monitor table games through cameras. Surveillance staff are required to record instances of non-compliance with established rules for management to follow up.

SGC, however, does not regularly monitor the actual house advantage. SGC told us that if the games are played according to the SLGA approved rules, it would result in achieving the house advantage approved by SLGA. We think SGC should also randomly monitor the actual house advantage for some table games in addition to ensuring that the gaming staff strictly follow the approved table game rules. Such monitoring will provide added assurance that gaming staff are generally following the approved table game rules. If the actual house advantage on the table games played is the same as approved by SLGA, it shows that the table games were generally played according to the approved rules.

SGC told us that the technology is available to monitor the actual house advantage on some table games. SGC should study whether such technology is cost effective for its operation or establish other procedures to periodically monitor the house advantage on table games played. Alternatively, SGC should discuss with SLGA other means to monitor the approved table games.

3. **We recommend that SGC should periodically monitor the actual house advantage for table games. Alternatively, SGC should discuss with SLGA other means to monitor the table games.**

SGC told us it plans to discuss with SLGA other means to monitor the table games.

Ensuring all games are played fairly and consistently.

We expected SGC to have adequate rules and procedures to:

1. *safeguard the slot machine software and equipment and to ensure displayed progressive jackpot amounts are accurate;*
2. *ensure jackpot payouts and hopper fills are properly approved;*
3. *ensure revenue recorded by the system agrees to cash received;*
4. *ensure gaming public (patrons) do not use devices that could assist in projecting the outcome of a game;*
5. *ensure all table games are approved by SLGA, betting limits are clearly posted, and the rules of the games are available to players for reference;*
6. *monitor house advantage to ensure it is consistent with the house advantage approved by SLGA;*
7. *ensure table games are played in accordance with the rules of the game approved by SLGA;*
8. *ensure table games are opened and closed properly;*
9. *ensure controls over cards and chips used in the table games;*
10. *ensure patrons do not use devices to track cards that have been dealt or change the probabilities or playing strategies;*
11. *identify and prevent cheating at play or other illegal activities by patrons or employees, and to address patrons' complaints quickly; and*
12. *ensure a proper code of conduct for all employees and members of the Board of Directors and to avoid conflicts or perceived conflicts of interest.*

SGC had adequate systems and practices to ensure all games are played fairly and consistently except for items 6 and 12 above (i.e., rules and procedures to monitor house advantage on table games to ensure it is consistent with the house advantage approved by SLGA; and to ensure a proper code of conduct for all employees and members of the Board of Directors and to avoid conflicts or perceived conflicts of interest).

As we stated earlier, SGC needs to improve how it monitors table games. Also, SGC did not have a code of conduct for employees and Board members and a conflict of interest policy for Board members.

SGC told us that the Board of Directors has approved a code of conduct including conflict of interest guidelines for the Board members. SGC also told us that the new code of conduct and conflict of interest guidelines took effect on April 1, 2001.

Ensuring the safety and security of gaming public (patrons).

We expected SGC to have adequate rules and procedures to:

1. *ensure the casino property is safe for the gaming public (patrons);*
2. *ensure documented security plans exist for contingencies such as power outages, fires, robberies etc;*
3. *ensure minors or patrons appearing unfit for gaming are not allowed in the casino;*
4. *ensure appropriate surveillance equipment is used, properly safeguarded, and set up properly to monitor and record gaming activity;*
5. *ensure the secured transfer of money and chips within the casino;*
6. *have adequately trained security and surveillance staff and to ensure they are registered with SLGA;*
7. *ensure access to sensitive areas is restricted to appropriate personnel; and*
8. *ensure gaming staff have adequate identification on their person at all times and that only authorized employees accept tips from patrons.*

SGC had adequate systems and practices to ensure the security and safety of the gaming public (patrons), except for item 8 above (i.e., rules and procedures to ensure gaming staff have adequate identification on their person at all times and that only authorized employees accept tips from patrons).

SGC does not have rules and procedures to ensure that only authorized gaming staff accept tips from patrons. SGC has adequate rules and procedures to safeguard and control tips received, but it does not have a policy setting out who is allowed to receive tips.

To avoid the perception of unfair play, in the gaming industry, certain employees (e.g., surveillance staff, casino managers) are generally not allowed to receive tips.

SGC does have rules and procedures to ensure gaming staff have adequate identification on their person at all times.

4. **We recommend that SGC should establish rules and procedures to ensure only authorized employees receive tips from the gaming public (patrons).**

SGC told us it plans to establish a policy that would specify all those employees who are allowed to receive tips from the gaming public (patrons).

Workers' Compensation Board

8

Executive summary **76**

Introduction **77**

Our audit conclusion and findings **77**

Complete and accurate monthly reports needed 79

Disaster recovery plan needed 81

Workers' Compensation Board Superannuation Plan **81**

Retired members' pensions 81

Executive summary

In this chapter, we report the results of the audits of the Workers' Compensation Board (WCB) and the Workers' Compensation Board Superannuation Plan (WCB Plan) for the year ended December 31, 2001.

We conclude that the financial statements for the WCB and the WCB plan are reliable. We also conclude that the WCB and the WCB Plan need to improve their practices to safeguard and control their assets and to comply with laws governing their activities.

For the WCB, we recommend that the WCB's monthly financial reports should provide explanations for the differences between the actual claim payments and the budgeted claim payments. The monthly financial reports should also reflect the impact of the claim payment experience on its estimated cost of existing claims that the WCB will have to pay in the future. In addition, the monthly financial reports should include projected results of its operations to the end of the year with the assumptions used to make the projection. The Board members of the WCB need this information to manage the WCB's operations.

In addition, we continue to recommend that the WCB should prepare an adequate disaster recovery plan and test that plan to ensure it works.

For the WCB Plan, we continue to recommend that the Plan should establish rules and procedures to ensure that all retired members receiving pensions who return to work for the Government, are paid in accordance with the laws.

Introduction

The Workers' Compensation Board (WCB) operates under *The Workers' Compensation Act, 1979* (Act). This Act establishes a mandatory no-fault compensation program for Saskatchewan workers. The members of the WCB (Board) administer this program and manage the WCB. The Board also hears and adjudicates claims on appeal.

The WCB plans to include its 2001 financial statements in its 2001 annual report. The WCB's financial statements report revenue of $220 million, expenses of $276 million, and net deficit of $56 million. At December 31, 2001, the WCB had net assets of $50 million.

The WCB sponsors the Workers' Compensation Board Superannuation Plan (WCB Plan). The WCB Plan is a defined benefit pension plan. The Workers' Compensation Superannuation Board (Superannuation Board) is responsible for administration of *The Workers' Compensation Board Superannuation Act*. The primary objective of the Superannuation Board is to provide superannuation allowances to the WCB's retired employees and to the dependants of deceased superannuates and employees. The Public Employees Benefits Agency, Department of Finance, provides day-to-day management of the WCB Plan.

In 2001, the WCB Plan received contributions of $0.1 million from employees and provided superannuation allowances and refunds of $0.9 million. At December 31, 2001, the WCB Plan held assets of $31.1 million and had accrued pension benefits of $22.5 million. The WCB Plan's financial statements will be included in its 2001 annual report.

Our audit conclusion and findings

We worked with the WCB's appointed auditor, Deloitte & Touche, to form our opinions on the WCB and the WCB Plan using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditor* (to review a copy of this report, see our web site at http://www.auditor.sk.ca//rrdhtml).

Our Office and Deloitte & Touche formed the following opinions for the WCB:

In our opinion for the year ended December 31, 2001:

- **The financial statements of the WCB are reliable.**
- **The WCB had adequate rules and procedures to safeguard and control its assets and to comply with laws governing its activities except for the matters reported in this chapter.**
- **The WCB complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.**

Our Office and Deloitte & Touche formed the following opinions for the WCB Plan:

In our opinion for the year ended December 31, 2001:

- **The financial statements of the WCB Plan are reliable.**
- **The Superannuation Board had adequate rules and procedures to safeguard and control the Plan's assets and to comply with laws governing the Plan's activities except for the rules and procedures to ensure retired members who return to work for the Government are paid according to the law. In Deloitte & Touche's opinion, the Superannuation Board had adequate rules and procedures to safeguard and control the Plan's assets and to comply with laws governing the Plan's activities.**
- **The Superannuation Board complied with the laws governing the Plan's activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the pension payments to retired members who return to work for the Government. In Deloitte & Touche's opinion, the Superannuation Board complied with laws governing the Plan's activities.**

We did not rely on Deloitte & Touche's opinions on the Superannuation Board's rules and procedures to safeguard and control the Plan's assets and the Superannuation Board's compliance with the laws governing the

Plan's activities. *The Provincial Auditor Act* requires us to do additional work when we are unable to rely on the report of an appointed auditor. Our additional work consisted of reviewing relevant legislation and discussion with management.

Complete and accurate monthly reports needed

The WCB needs complete and accurate monthly financial reports to properly manage the WCB's operations. For example, the members of the WCB (Board) need this information to make sound operational decisions about the compensation programs and to set premium rates.

The Board receives a monthly financial information package. However, the package does not provide accurate information on the costs of existing claims that the WCB will have to pay in the future. Also, the monthly financial information package provided to the Board does not include projected results of the WCB's operations to the end of the year.

The WCB estimates the cost of existing claims that it will have to pay in the future at the beginning of the year. The WCB makes this estimate in consultation with its external actuary and based on the budgeted claim payments. Each month, the WCB records $^{1}/_{12}$ of its estimated cost of existing claims that it will have to pay in the future. The WCB does not regularly change its estimate of the cost of existing claims that it will have to pay in the future through out the year to take into account the actual claim payment experience. Also, the WCB does not regularly project the result of its operations to the end of the year. The WCB needs to assess regularly the impact of its actual claim payment experience and change its estimate of the costs of existing claims that it will have to pay in the future.

For example, in 2001, the WCB budgeted claim payments of $137.1 million and estimated the cost of existing claims that it will have to pay in the future to be $18.3 million. Actual claim payments and the cost of existing claims that the WCB will have to pay in the future were much greater than the budget. In June 2001, actual claim payments exceeded the budgeted claim payments by $10.4 million and in November, the actual claim payments exceeded the budget claim payments by $21.3 million. In December 2001, the total claim payments exceeded the budgeted claim payments by $24.1 million. The monthly financial

information package did not explain the reasons for the differences between the actual claim payments and the budgeted claim payments. Nor did it assess the impact of actual claim payment experience on the estimated cost of existing claims that the WCB will have to pay in the future. In December, the WCB revised its estimate of the costs of existing claims that it will have to pay in the future to $36 million from its original budget of $18.3 million. At the year end, the WCB's external actuary estimated that based, in part, on the actual claim payments, the cost of existing claims that the WCB will have to pay in the future would be $66 million.

Also, the WCB did not project the results of its operations to the end of the year until December 2001. On December 11, 2001, as part of its budgeting process for 2002, the WCB projected a net deficit for the year ended December 31, 2001. The projected deficit was significantly different than the actual deficit for the year. The audited financial statements show a net deficit of $56 million for the year.

As a result, the monthly financial reports used by the Board for managing the WCB's operations were not adequate. When the Board does not have adequate information, there is a greater risk that it may make wrong decisions resulting in a loss of public confidence.

1. **We recommend the WCB should establish rules and procedures to ensure that its monthly financial reports:**

   - **include written explanations for differences between the actual claim payments and the budgeted claim payments;**
   - **reflect the impact of claim payment experience on the estimated cost of existing claims that the WCB will have to pay in the future; and**
   - **include projected results of its operation to the end of the year together with the key assumptions used to make the projection.**

Disaster recovery plan needed

The WCB needs to prepare an adequate disaster recovery plan and test it to ensure it works. The Board needs to approve the disaster recovery plan.

The WCB is dependent upon its computer systems. To provide continuous services, the WCB must ensure its systems and data are available when needed.

Sound disaster recovery plans reduce the risks resulting from systems failing and business disruption. The WCB needs a written and tested disaster recover plan to ensure the recovery of systems and data in case the WCB's electronic systems fail or if key service providers or suppliers' systems fail.

We also reported this matter in several of our previous Reports and most recently in our 2001 Spring Report.

In December 2001, the Standing Committee on Public Accounts considered this matter and concurred with our recommendation.

The WCB has prepared some policies relating to disaster recovery. However, the Board has not yet approved those policies. Nor has management tested or implemented those policies.

We continue to recommend that the WCB should prepare an adequate disaster recovery plan and test that plan to ensure it works.

Workers' Compensation Board Superannuation Plan

Retired members' pensions

The Superannuation Board needs information about retired members of the Plan who are receiving pensions and who have returned to work for the Government. The Superannuation Board needs this information to ensure it pays pensions in accordance with the law.

Section 27 of *The Superannuation (Supplementary Provisions) Act* sets out the requirements for stopping pensions when retired members

receiving a pension are re-employed. This Act allows retired members receiving a pension to work for the Government as temporary, casual, or provisional employees for a period not exceeding six months in a fiscal year without any reduction in their pensions. However, the Act requires that if a retired member receiving a pension works for the Government more than six months in a fiscal year, the member's pension should be stopped. The Act also requires that, if a retired member receiving a pension is re-hired by the Government as a permanent employee, the member's pension should be stopped from the day the member starts work.

The Superannuation Board does not have adequate rules and procedures to know if retired members are working for the Government. The Superannuation Board relies on retired members receiving pensions to notify the Plan when they recommence employment with the Government. As a result, the Superannuation Board cannot ensure all pensions paid comply with the law. Also, because the Superannuation Board does not have adequate rules and procedures to know if retired members are working for the Government, we cannot determine if the Superannuation Board complied with section 27 of the Act.

We reported this matter in our 2001 Spring Report.

In November 2001, the Standing Committee on Public Accounts considered this matter and concurred with our recommendation.

We continue to recommend that the Plan should establish rules and procedures to ensure that all retired members receiving a pension, who have returned to work for the Government, are paid in accordance with the Act. Alternatively, the Plan should seek changes to the Act.

Management told us it plans to seek changes to the Act.

Office of the Chief Electoral Officer

9

Executive summary **84**

Introduction **85**

Background 85

Overview of Electoral Office's finances 85

Audit conclusions and findings **86**

Completeness of returns and anonymous donations not checked 86

Improved public accountability required 89

Executive summary

In this chapter, we describe the role of the Chief Electoral Office, set out the results of our audit, and make three new recommendations.

The Electoral Office administers *The Elections Act, 1996*. The Act is complex. The effective administration of this Act is important. In general, the Electoral Office provides good guidance in explaining the Act and its requirements. It works proactively with political parties and candidates to ensure that they understand its requirements.

Since 1997, our Office has expressed concern that the system for reporting election and registered political party finances does not ensure that the information reported and made public is complete. Currently, neither the auditors of the returns nor the Electoral Office verifies the completeness of information reported on the returns. In addition, our Office has expressed concern that the system may not identify all anonymous donations. The Act expects processes to make sure that amounts reported by political parties and candidates are transparent and complete. In 1999, the Standing Committee on Public Accounts (PAC) recommended and the Legislative Assembly concurred that the Electoral Office make changes to address our concerns.

At March 2002, the Electoral Office had not made the recommended changes. In the Electoral Office's view, the recommended changes would contravene the Act. In this chapter, we ask legislators to clarify their expectations on this matter and to change the Act, as they deem necessary.

In addition, we report that the Electoral Office, since its inception in 1998 as a legislative office, has not yet filed an annual report. The Electoral Office has advised PAC that it expects to file a report in the near future. We look forward to this report.

Introduction

The Chief Electoral Officer administers *The Elections Act, 1996* and since 1998 is a legislative officer of the Legislative Assembly. The role of the Office of the Chief Electoral Officer (Electoral Office) is to ensure public confidence in the integrity of the electoral process for the Saskatchewan electorate. It is responsible for the administration of provincial elections, by-elections, enumerations other than during elections, and election finances. It also periodically conducts referenda and plebiscites under *The Referendum and Plebiscite Act* and time votes under *The Time Act*. Also in 2001, the Electoral Office became responsible for *The Political Contributions Tax Credit Act*. Under this Act, the Electoral Office administers and maintains political tax credit system.

Background

The Elections Act, 1996 came into effect January 1, 1997. This Act is an integral part of electoral reform in Saskatchewan. The Act responds to the public's need for information about the electoral process by requiring public disclosure of key information. It requires political parties and candidates to disclose, both during elections and outside of election period, the amount and source of contributions (donations) and of spending. See Exhibit 1 for further detail.

For the two-year period ending March 31, 2002, the Electoral Office administered four by-elections. During this period, the Electoral Office reviewed 11 annual returns from the six registered political parties (political parties), 19 election returns from political parties, and 19 election returns from candidates who ran in the four by-elections.

Overview of Electoral Office's finances

As set out in the *Public Accounts 2000-2001: Volume 2: Details of Revenue and Expenditure* (2001-02 Public Accounts – Volume 2)[1], the Electoral Office spent $1.2 million in 2000-2001 including $112,738 reimbursed to registered political parties and candidates for their election expenses. In 2001-2002, the Electoral Office spent $0.8 million including

[1] To view a copy of Public Accounts, see http://www.gov.sk.ca/finance/paccts.

$61,623 reimbursed to political parties and candidates for their election expenses.

The Act also requires candidates and political parties to report and remit all anonymous donations to the Electoral Office for deposit into the General Revenue Fund. The Act defines anonymous donations as contributions over $250 where the contributor is not identified. For the two-year period ending March 31, 2002, no political party or candidate reported or submitted any anonymous donations to the Electoral Office.

Audit conclusions and findings

In our opinion, for the two years ending March 31, 2002, the Electoral Office:

- **had adequate rules and procedures to safeguard and control its assets except for matters reported in this chapter; and**
- **complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for matters reported in this chapter.**

Completeness of returns and anonymous donations not checked

The current system for reporting election and registered political party finances does not ensure that the returns of political parties (i.e., annual and election) and candidates (i.e., election and by-election) are complete. That is, the system does not ensure these returns report all contributions and expenses.

When legislators debated changes to *The Election Act* in 1996, they wanted to ensure that the new law would increase accountability and would not be subject to misinterpretation. They noted that the prior Act was subject to interpretation in a number of areas including the reporting of political contributions.

Legislators and the public wanted a system that would make the electoral process transparent. They wanted a system that would require

candidates and registered political parties to make public, through the filing of returns, the source and amount of all contributions made to them and to show where they spent those contributions. They wanted a system that would help hold all parties accountable.

Since 1997, our Office has reported concerns both about the processes used to ensure that returns report the source and amount of all contributions and expenses, and about the processes used to identify anonymous donations.

The Standing Committee on Public Accounts (PAC) reviewed these concerns on a number of occasions.[2] In March 1999, PAC recommended that *the Electoral Office should issue directives requiring political parties' auditors to submit audit reports to the Electoral Office that indicate whether all contributions received and all expenses incurred by the political parties are reported in their returns; and requiring candidates to use specific procedures to receive and disburse money and to submit audit reports to the Electoral Office that indicate whether candidates have complied with those procedures.*[3] The Legislative Assembly concurred with PAC's recommendation.

In 1998, the Electoral Office issued guidance to campaign officers for political parties and to business managers for candidates. This guidance includes specific procedures for the handling of the receipt and disbursement of money. These procedures help ensure the completeness of information reported in the returns.

However at March 2002, the Electoral Office had not issued directives that require auditors of returns to report in the way that PAC or the Legislative Assembly expected. The Electoral Office's view is that setting such requirements would contravene the Act. Its guidance[4] to auditors

---

[2] November 25, 1998, January 6, 1999.

[3] Recommendation 64, p.30, Standing Committee on Public Accounts, Third Report of the 4th Session of the 23rd Legislature dated March 29, 1999.

[4] In its written guidance, the Electoral Office tells the auditors of returns three things. First, the auditors have no duty to carry out procedures aimed at determining the completeness of information reported in the returns unless circumstances raise suspicion for the auditors that the information on the returns is incomplete or in error. Second, the auditors' duty is limited to ensuring the accuracy of information reported on the returns. Third, the auditors can include a statement, in their audit report, that indicates that they have not checked to ensure the returns are complete.

reinforces its view that the Act does not expect auditors to determine the completeness of the returns.

As expected, the auditors of most returns reported that they did not verify that the returns were complete. The Electoral Office did not take additional or alternate steps to verify that the returns were complete.

In September 2001, the Chief Electoral Officer shared her view with PAC. PAC asked the Electoral Office and our Office to work together to resolve our different viewpoints. As requested by PAC, we met with the Chief Electoral Officer to discuss this matter. We reviewed the guidance provided by The Canadian Institute of Chartered Accountants[5] with respect to audits under *The Canada Elections Act*. We reviewed other election acts and guidance. We obtained legal advice. In March 2002, the Chief Electoral Office obtained legal advice to support its view and is administering the Act consistent with its legal advice. We exchanged our differing legal advice.

We are unable to reach a common understanding with the Electoral Office on this matter.

At this time, no one verifies the completeness of returns. Without a process to ensure that returns report all contributions received, the Electoral Office, legislators, and the public do not know if the returns identify all anonymous donations that political parties and candidates received. As a result, legislators and the public have no assurance that the political parties and candidates have remitted anonymous donations to the Electoral Office for deposit to the General Revenue Fund.

In addition, because no one verifies that the returns report all expenses incurred, the Electoral Office, legislators, and the public do not know if the political parties' and the candidates' election expenses are within the spending limits set by the Act.

[5] The federal audit system provides its auditors with direction similar to that provided by the Electoral Office. This direction is set out in *A Guide for the Auditor of a Candidate in a Federal Election Pursuant to The Canada Elections Act*. As the federal guide states, it bases its views on its interpretation of *The Canada Elections Act*. It also further indicates that, in view of differences between federal and provincial legislation, it is not appropriate to rely on the guide for the audit of a candidate in a provincial election.

Given the importance and sensitivity of the electoral system, it is vital that the election finances system includes processes to make sure that contributions and expenses reported are complete. This view is consistent with the intent of the Act.

Given the Electoral Office has not accepted the PAC's 1999 view and direction on this matter in which the Legislative Assembly has concurred, if the legislators want a system that includes verification of the completeness of returns, legislators should consider changing the Act. They could change the Act to set out clearly the duty of auditors of returns to report on the completeness of returns, or to report on the compliance with the Electoral Office's rules to ensure completeness, or both.

1. **We recommend that *The Election Act, 1996* should be changed to require auditors of returns to report whether the returns of the candidates and of the registered political parties present fairly the contributions received and expenses incurred.**

2. **We recommend that *The Election Act, 1996* should be changed to require auditors of returns of political parties and candidates to report on compliance with the Electoral Office's rules to ensure completeness of returns.**

Improved public accountability required

The Electoral Office has not yet provided the Legislative Assembly with its annual report as required by the Act.

The Act requires the Electoral Office to report its progress and activities each year. Typically, this takes the form of an annual report.

Since its inception as a legislative office in 1998, the Electoral Office has not prepared an annual report.

3. **We recommend that the Electoral Office should prepare and submit to the Speaker its annual report as required by The Election Act, *1996*.**

On September 27, 2001, PAC met, discussed, and concurred with a similar recommendation. At this meeting, the Chief Electoral Officer advised PAC that it would prepare an annual report for the period May 1998 to December 2001 and that it expected to submit the report in the winter of 2002. At April 2002, the Electoral Office told us it plans to issue the report in the summer of 2002.

Exhibit 1 – Key provisions of *The Elections Act, 1996*

Contributions: Candidates and registered political parties must disclose all contributions received. Contributions include gifts, loans or any forms of assistance (e.g., money, goods, and services). Candidates and registered political parties must disclose on the returns the name of the contributor and the amount contributed for any contribution greater than $250 in a year.

Spending limits: Candidates and registered political parties may only incur election expenses as defined by the Act to maximums set out in the Act. For example, for 2001 a candidate in a southern constituency could incur expenses up to the greater of $41,881 or $2.79 times the number of the names on the voters list. A registered political party could incur election expenses up to $698,009.

Reimbursement of eligible expenses: The Electoral Office reimburses 50% of eligible expenses (up to maximum spending limits) to candidates who receive at least 15% of the vote cast in an election. The Electoral Office reimburses 33% of eligible expenses up to the maximum spending limit to registered political parties who have endorsed candidates who received at least 15% of the vote cast in aggregate in an election.

Election returns: Both candidates and registered political parties must submit audited election returns and supporting documentation. Election returns for candidates must show both their contributions received and the election expenses incurred. Candidates must file returns with the Electoral Office within three months after the election. Election returns for registered political parties must show the election expenses incurred. Parties must file election returns with the Electoral Office within six months of the election. The Electoral Office has the right to request additional supporting information.

Annual returns for registered political parties: Registered political parties must file each year, within four months of the party's fiscal year end, audited annual returns showing contributions received, and expenses incurred for that fiscal year along with supporting documentation. The Electoral Office has the right to request additional supporting information.

Information available to public: The Electoral Office maintains return information and supporting documents and makes them available for public review. The Electoral Office must prepare summary reports of elections and of the Electoral Office's progress and activities.

Anonymous donations: Business managers of candidates and chief official agents of registered political parties shall not accept anonymous contributions that exceed $250. If the business manager or chief official agent cannot identify the contributor, the Act deems the contribution as an anonymous donation. Business managers and chief official agents are required to remit these amounts to the Chief Electoral Office for forfeit to the General Revenue Fund.

This page left blank intentionally.

Finance—Learning culture for reporting results

10

Executive summary **94**

Introduction **95**

Reporting performance in Saskatchewan **95**

Building capacity for reporting performance **96**

Our audit **97**

Supporting a learning culture—key findings **99**

Promoting education about performance reporting 99

Helping managers adapt to reporting results 100

Encouraging continuous improvement in reporting 101

Conclusion and recommendations **103**

What is next? **104**

Exhibit 1 – Learning skills to report performance **105**

Glossary **106**

Selected resources **107**

Executive summary

A learning culture helps organizations to change. The Government of Saskatchewan initiated an accountability project in 1998 to change the way that departments manage and report to the public. The project requires departments to plan with specific objectives and to measure results against those objectives. These can be challenging skills that require significant learning.

The accountability project anticipates that departments will report both their plans and their results to the public in 'performance reports'. Making plans and results public will improve departments' accountability for public money. The project is expected to help departments improve their processes to plan, change the way they manage, and report their results to the public.

This audit focuses on the Department of Finance, which directs the accountability project. The objective of this audit was to assess whether the Department of Finance adequately supported a learning culture to improve public performance reporting by government departments.

We concluded that the Department of Finance is making good progress. The Department should continue to strengthen its support of a learning culture for performance management and reporting. We recommend that the Department should:

- give departments a multi-year timetable with targets for incremental improvement in performance plans and reports of results; and

- be proactive to establish a web site or intranet among departments to communicate best practices from research and innovations for improved performance management and reporting.

We plan to monitor the Government's progress in implementing its accountability framework and improving accountability to the public.

Introduction

During the 1990s, the public sector in Canada began to improve accountability to the public by emphasizing results as well as managing and reporting governments' activities. *This is commonly called a results-oriented approach.* Australia and the United Kingdom moved in this direction during the 1980s and the United States passed the *Government Performance and Results Act* in 1993.

A results-oriented approach to management changes the way that governments plan, manage, and report their results. This approach can improve governments' ability to achieve their objectives. It also can improve accountability if governments report to the public in a way that compares actual results to what they planned to achieve.

To use this results-oriented approach effectively, managers must learn new skills. Exhibit 1 sets out some of the skills that managers need to learn. This chapter describes an audit of progress toward a learning culture that supports managing for results and helps managers learn to report those results to the public.

Reporting performance in Saskatchewan

In response to the demands of citizens and changing management practices elsewhere, some parts of the Government of Saskatchewan have explored better ways to report their performance. For example, in 1994, the Department of Education began to report results through its Indicators Program and continues to produce a detailed report annually. In 1997, the Department of Health established a framework to help it select measures to explain results and made its first report to the public in 2000. We commended these initiatives. [1, 2]

In 1997, the Crown Investments Corporation (CIC) and its Crown agencies began to implement a balanced scorecard framework to help them report their results to the public. In January 2000, CIC established a timetable for incremental improvement in the annual reports of CIC and its Crown agencies. Some Crown agencies' annual reports now exceed

[1] Provincial Auditor's Report 1998 Fall Report – Volume 2, Chapter 3 pp.37-46.
[2] Provincial Auditor's Report 1998 Fall Report – Volume 2, Chapter 5C pp.101-110.

these expectations (e.g., SaskEnergy, Saskatchewan Transportation Company).[3]

In 1998, the Government initiated the "Performance Management and Accountability Project" for all departments. The Government asked the Department of Finance to be responsible for this project and to:

- implement an accountability framework for departments;
- encourage departments to manage for results; and
- help build the capacity of departments to report their results to the public.

To achieve these objectives, the Department of Finance must work closely with all departments. The Department established a Performance Management Branch as the focus of this activity. In addition, the Department must work with the Department of Executive Council (i.e., Cabinet Planning Unit) and the Public Service Commission.

In the 1999 Speech from the Throne, the Government announced it would use this results-oriented approach to improve accountability to the public. The Government asked all departments to change how they plan, manage, and report their results. We support this important initiative to improve accountability.

Building capacity for reporting performance

Performance reporting is the process that informs stakeholders of actual results compared to plans and other indicators of success. Historically, government departments reported their activities but not the results they achieved. The Government's new accountability framework requires departments to:

- plan for specific results (e.g., 85% of 20 year olds will complete Grade 12);
- explain progress toward those results (e.g., current percentage completing Grade 12); and
- report related activities (e.g., number of students in Grade 12 and in related adult basic education programs).

[3] Provincial Auditor's Report 2000 Spring Report, Chapter 2 pp. 30-32.

Good planning is the foundation of sound accountability. The Department of Finance began its efforts to improve accountability with a focus on planning. Successful performance reporting is based on planning with specific objectives and targets for how much is to be achieved and by when.

In addition, reporting results to the public requires finding ways to measure results, collect accurate data, analyze progress toward each objective, and report results compared to planned performance. These are complex skills that may require significant learning.

In our 2000 Fall Report - Volume 3 (Chapter 1C, pp. 43-57), we highlighted four 'best practices' that would help the Department of Finance to increase departments' capacity to explain plans and report results to the public:

1. sustain commitment, at the highest leadership levels, to report the results of departments' performance;
2. promote a government-wide learning culture to improve public performance reporting;
3. establish processes and information systems that facilitate performance reporting; and
4. establish processes to ensure that public performance reports are credible.

This audit focuses on the second of these best practices for building capacity to report results. There are many skills to learn before managers can effectively report the results of public sector activities (see Exhibit 1). Creating a learning culture about a results-oriented approach to management is an important step toward reporting results to the public. A learning culture promotes education about reporting results. It also helps people adapt to results-oriented management and encourages continuous improvement.

Our audit

The objective of this audit was to assess whether the Department of Finance adequately supported a learning culture to improve public performance reporting by government departments. We examined processes that the Department of Finance used from November 1, 1999

to December 30, 2001. Exhibit 1 sets out our audit criteria. The Department of Finance agreed with these criteria.

Audit Criteria

To support a learning culture that improves public performance reporting among government departments, the Department of Finance should:

1. promote and provide education about performance reporting
   - explain the importance of public performance reports for accountability
   - make available educational opportunities
   - encourage departments to establish processes to share useful information
   - monitor agency participation in learning activities

2. help managers adapt to managing for results and reporting performance to the public
   - encourage development of a supportive environment
   - communicate frequently
   - keep expectations realistic
   - identify and resolve barriers

3. encourage continuous improvement in performance reporting practices
   - communicate clear expectations
   - timely resolution and follow-up of complaints and problems
   - support innovation in performance reporting
   - encourage regular research on program outcomes and performance information
   - promote risk-taking and allow learning from mistakes

This audit did not examine systems for performance reporting by Treasury Board Crown agencies. We encourage the Government to require that these agencies also improve their reports to the public.

Our audit was guided by the Standards for Assurance Engagements established by The Canadian Institute of Chartered Accountants. To form our audit conclusion, we gathered sufficient appropriate audit evidence to support our findings. In addition to examining various documents, we interviewed senior officials from nine of the eighteen government departments.[4] The senior officials included deputy ministers, associate deputy ministers, executive directors of strategic planning, and other senior officials responsible for planning and reporting.

[4] During 1999-2001, there were eighteen government departments on the Performance Measurement Network including the Women's Secretariat, the Office of Northern Affairs, and the Department of Finance

Supporting a learning culture—key findings

Promoting education about performance reporting

We expected the Department of Finance to explain the importance of reporting results as part of the long-term strategic management that improves public sector effectiveness. We anticipated that the Department would work with others to promote and provide education about performance reporting. We expected that the Department would help managers to access a variety of learning opportunities including training and web sites about performance reporting.

The Department of Finance adequately promoted education about performance reporting.

Managers require several specific skills to manage performance from a results perspective (see Exhibit 1). The Department of Finance promoted an environment that supports managers to learn these skills and adapt to new expectations. In meetings, educational sessions, and guidelines, the Department explained the importance of results-oriented management and reporting results to the public.

The Department of Finance arranged for experts to make presentations in Saskatchewan. The Department evaluated these events and monitored attendance to ensure that any absent departments could receive appropriate materials after these events. In addition, the Department provided learning tools such as a list of informative web sites and sample plans from departments in other jurisdictions.

The Department of Finance set up processes to help departments share useful information. The Department created an Implementation Working Group (November 1999 to April 2000) and later a Performance Measurement Network (April 2001 to 2002). These groups enabled departments to share information and discuss problems together.

The Department of Finance also created a Performance Management Branch to spearhead the Government's project to improve accountability. The Branch collected information about performance management for the Government. The Branch encouraged departments to contact them for assistance as required. The Department of Finance did not use

newsletters, a web site or an intranet system to help departments share useful information. We encourage the Department to find cost-effective ways to share information among departments.

Helping managers adapt to reporting results

We anticipated that a supportive environment and frequent communication would assist managers to learn new skills and adapt to a results orientation. We expected the Department to keep its expectations for change realistic and allow managers reasonable time to improve incrementally. We expected the Department to identify and help to resolve barriers to reporting results.

The Department of Finance adequately helped managers adapt to reporting the results of their department's activities.

We found that written communication from the Department of Finance (i.e., the Deputy Minister and Performance Management Branch) consistently used a supportive and encouraging tone. Senior department officials told us that communication from the Department was sufficiently frequent and helpful. Progress was emphasized and new requirements highlighted. The Department also used the Performance Measurement Network as a forum to encourage department managers to discuss their progress and challenges.

Various department officials told us that the expectations of the Department of Finance were reasonable and realistic, except for very short timelines to accomplish tasks. Officials noted that some of the requirements were simply good management techniques that they were already doing. All the officials that we interviewed anticipated that the requirements for reporting results would continue to increase.

The Department of Finance identified barriers to results-oriented management and reporting in several ways. The Department assessed departments' plans, listened to departments present their plans to each other, and used an extensive annual evaluation process to document issues that required special resolution. Senior officials from six departments told us that many problems were resolved by departments working independently or with the Department of Finance.

Department officials told us that they need help to solve some of the more complex problems. For example, department officials told us that the development of a government-wide plan that sets out a clear long-term direction would help them to align their department priorities with the Government's direction. Department officials told us that it would help managers adapt if the budget process was better aligned with the process to approve priorities. Department officials also struggle with the complex challenge of reporting 'performance' when several departments and non-government organizations work together to achieve results.

These areas are complex and will take time to resolve. We encourage the Department of Finance and all government departments to resolve these challenges by using the experience of other provinces and countries that report their results to the public.

Encouraging continuous improvement in reporting

We anticipated that the Department of Finance would communicate clear expectations on managing for results and performance reporting. We expected the Department to resolve complaints and problems in a timely way and support innovation that makes performance reporting easier. Further, we anticipated that the Department would encourage research on program outcomes and performance information, promote risk-taking, and allow managers to learn from their mistakes.

The Department of Finance made its expectations clear to managers. The Department should improve its practices to document problems and to promote their resolution through experimentation, research, or innovation for better performance reporting.

We found that the Department of Finance communicated clear expectations one year at a time in its Guidelines. The Guidelines are detailed and explicit. They provide good discussion of key issues and lessons learned. The Guidelines for 2001-02 required departments to report performance to senior department managers and to Cabinet at year-end. These Guidelines state that continuous improvement will be expected, but do not specify targets for what improvements the Department expected or by when.

Setting out expectations with a longer perspective would help departments to move forward at a steady pace. It takes time to train staff, gain agreement from partners to collect new information, and change reporting practices. It would also reinforce the Government's long-term commitment to move beyond reports of activities and enhance its capacity to report results.

The Department used its annual evaluation process and revisions to its annual Guidelines as the major way it resolved problems. This approach allowed careful consideration of solutions, but it was not timely and did not allow departments to plan ahead. The Department told us that it intended to use the Performance Measurement Network as an informal forum to help identify and resolve problems in a timely way. The Department did not take minutes or record barriers or solutions identified by the Performance Measurement Network. Written records assist in the timely sharing of new ideas for solving difficult problems.

An environment that invites experimentation and careful risk-taking supports change and learning. Senior officials stated they thought some limited experimentation was allowed. Giving managers recognition (e.g., in annual performance reviews) for their willingness to experiment could contribute to an atmosphere of continuous learning and greater acceptance of change.

Research and innovation are both important for growth and change. Research also could improve the efficiency with which departments' learn about measuring and reporting results in the public sector. The Department consulted other jurisdictions and revised its training and Guidelines. These are important steps.

Many challenges remain that could be resolved through experimentation and research. For example, in the public sector many departments give resources to others who are expected to provide services and report back what was accomplished. Setting service delivery targets and results requires consultation. Stakeholders must agree to provide data before results can be reported. Departments need flexibility to discover ways to consult and reach agreement with stakeholders in the government environment of very short timeframes and budget secrecy.

Departments also need research and innovation to discover effective ways to report annually on long-term objectives involving several agencies. Using short-term targets as suggested by the Department will help. However, measuring some results is not practical except at intervals (e.g., Statistics Canada census every four years). Other data may be collected regularly but is not available annually due to the time required to prepare it for analysis. Timely access to accurate and current data makes reporting results complex for both short and long-term results. This issue requires research to assess possible solutions in particular situations.

The Department of Finance needs a plan to research complex issues that make it difficult for departments to report their results. In particular, the Department needs to promote research by those departments able to explore performance planning and reporting problems. Such research could help departments to effectively measure their results and report their progress. Sharing research findings could stimulate further innovation and improvement.

Conclusion and recommendations

We recognize that the accountability framework the Government has selected represents a significant change and change can be disruptive. The Department of Finance is making progress with its accountability project. A learning culture is evolving for improved performance management and reporting by government departments.

We concluded that the Department of Finance adequately supports a learning culture to improve public performance reporting by departments except for the matters noted in the following recommendations.

A multi-year timetable would give departments time to learn and prepare for future improvements in government planning and reporting. It would also enable some departments to move ahead at a faster pace and make it possible for others to learn from their experience. This approach has been effective for the CIC Crown agencies.

We encourage the Department of Finance to continue to strengthen its support of a learning culture.

1. **We recommend that the Department of Finance give departments a multi-year timetable with targets for incremental improvement in performance plans and reports of results.**

2. **We recommend that the Department of Finance be proactive to establish a web site or intranet among departments to communicate best practices from research and innovations for improved performance management and reporting.**

What is next?

When governments report their results, they improve their accountability to the public. Effective reports tell the public how public money helped to achieve the intended results.

Ongoing learning is needed to sustain the Government's capacity to report results to the public. Knowledge about performance management and reporting among senior officials and legislators is critical to the future success of this accountability framework.

In future, we plan to audit the activities of the Department of Finance and other departments as they work to build their capacity to plan, take effective action, and report achieved results.

We appreciated the excellent co-operation of the Department of Finance and senior officials of other departments throughout this audit.

Exhibit 1 – Learning skills to report performance

Performance management implies a results-oriented perspective. It requires managers to learn skills that will help government departments to develop:

1. **objectives** that state specifically
   a. *what* is intended to be achieved
   b. *targets* for how much (quantity or quality) should be achieved
   c. *by when* targets should be achieved including short, intermediate and long-term

2. **priorities** that will
   a. identify which objectives are essential to carry out the mandate and achieve key goals
   b. influence resource allocation
   c. lessen risks
   d. guide the efforts of staff and partner organizations

3. **measures** to monitor and evaluate progress in a way that is agreed upon with those accountable for results and that help to show:
   a. *trends* over time based on comparisons to previous time periods
   b. *quantity* of outputs/outcomes compared to targets, benchmarks or standards
   c. *quality* of outputs/outcomes
      i. compared to targets, benchmarks or standards
      ii. based on factors known to influence how effective a program or service is
      iii. as identified in specific program evaluations that consider objectives
   d. *cost* of outputs/outcomes
      i. relative to planned costs, and
      ii. reasonable benefit considering cost of alternatives or lost opportunities
   e. *values/principles* that guide the processes used

4. **systems to collect information** about inputs, outputs, processes, and outcomes
   a. decide what information is required to monitor progress on priority objectives
   b. assess whether information or similar information is already collected (e.g., routine internal information or external surveys, research, Statistics Canada)
   c. decide what to collect and from whom (e.g., clients, staff, partners, volunteers)

5. **reports** of performance results (at least of inputs & outputs, processes used and outcomes of a short-term nature, adding intermediate or long-term outcomes where possible) and provide the reports:
   a. internally to program managers and/or senior management
   b. to ministers or other accountable persons (e.g., boards)
   c. externally to key stakeholders
   d. externally to the public

6. **analysis** of the significance of results, especially in priority areas, so as to explain
   a. what is the level of progress compared to planned objectives
   b. how are results different than expected
   c. what is the cause of the difference from the planned results
   d. what is the effect of the difference from the plan

7. **plans to redirect** the organization based on outputs and outcomes achieved compared to resources used and original plans (operational and fiscal)
   a. redirect staff , and
   b. reallocate other resources to continue toward achievement of objectives.

Glossary

Goal – a general statement of desired result to be achieved over an unspecified period of time.

Objective – a measurable, time-defined result to be achieved that leads to the achievement of each goal.

Outcome – the consequence or end result of activities.

Output – a numerical product of activities (e.g., number of clients served)

Performance management – a results-oriented approach to managing activities

Performance measure – a measurable factor used to assess progress toward an identified objective or outcome.

Performance reporting – the process that informs stakeholders of actual results. When using this type of reporting the Government will report its results compared to what it planned to achieve.

Performance target – quantifiable estimate of results that are expected over a specific time period.

Risk – the possibility that an entity will experience adverse consequences from events or circumstances.

Selected resources

Canada. Auditor General. (1992). Chapter 5 -The learning organization. In *The Report of the Auditor General*. Ottawa: Author.

Canada. Auditor General. (1997, April). Chapter 5, Appendix C - Summaries of evaluations of the improved reporting to parliament project. In *The Report of the Auditor General*. Ottawa: Author.

Canada. Auditor General. (1997, October) Chapter 11, Case 5 – Creating a climate for managing for results at the Canada Centre For Mineral And Energy Technology (CANMET). In *The Report of the Auditor General*. Ottawa: Author.

Canada. Auditor General. (1997, October) Chapter 11 – Moving toward managing for results. In *The Report of the Auditor General*. Ottawa: Author.

Canada. Auditor General. (1997, October) Chapter 17 - Human Resources Development Canada – A critical transition toward results-based management (main points). In *The Report of the Auditor General*. Ottawa: Author.

Canada. Treasury Board. (1999, Volume 1). *Managing for results: Annual report to Parliament*. Ottawa: Treasury Board of Canada.

Organization for Economic Co-operation and Development. (2000). *Government of the future*. Paris: Author.

Mihm, J.C. (1999, October 15). *Management reform: Elements of successful improvement initiatives*. Presentation to the Subcommittee on Oversight of Government Management, Restructuring, and the District of Columbia, Senate Committee on Governmental Affairs. GAO's Performance and accountability series (GAO/T-GGD-00-26. 15 pages). Washington: General Accounting Office.

United Kingdom. National Audit Office. (2001, March 22). Measuring the performance of government departments. In Session 2000-2001 *Report of the Comptroller and Auditor General*. London: Author.

Walker, D.M. (March 9, 2000). *GAO Human capital: Managing human capital in the 21st century*. p.11, Testimony before the Subcommittee on Oversight of Government Management, Restructuring and the District of Columbia Committee on Government Affairs, United States Senate. Washington: United States General Accounting Office.

Washington State Auditor. (1999). *Measuring results: Performance-based government in Washington State 1993-98*—A progress report. Performance audit report. Olympia: Author. http://www.sao.wa.gov/Reports/PerformanceAudit/ProgressReport.htm

Health

11

Executive summary **110**

Introduction **111**

Department's indicator report **111**

Moose Jaw-Thunder Creek District Health Board **112**

Our audit conclusions and findings 112

Setting direction and monitoring performance 113

Complying with authorities and ensuring adequate accountability 114

Reporting required by *The Health Districts Act* 115

Executive summary

All First Ministers have agreed to publish reports on the performance of health systems of each provincial government and the Federal Government starting this fall. The First Ministers expect the reports to describe each health system's performance in 14 indicator areas. This reporting initiative is important because it will enable legislators and the public to compare the performance of their health system with the health systems in other jurisdictions.

The Assembly and the public will need to know that the Department's indicator report is reliable and comparable with other jurisdictions. Our 2000 Fall Report – Volume 3 and in our 2001 Fall Report – Volume 2 state that we are working with the Department to ensure that we are able to provide the Legislative Assembly with our report on the reliability of the indicator report this fall. We look forward to the Department's continuing co-operation in this important and difficult project.

In Chapter 6C of the 2001 Fall Report – Volume 2, we stated that we had not completed our audit of the Moose Jaw-Thunder Creek District Health Board (the District) for the year ended March 31, 2001. We had not completed this audit because we were unable to rely on the District's appointed auditor to determine whether the District had adequate rules and procedures to safeguard and control its assets and whether the District complied with the law. The appointed auditor did not do sufficient work for us to form our opinions on those matters.

We have now done additional work and have formed the opinion that:

- the District had adequate rules and procedures to safeguard and control its assets except as described in this chapter; and
- the District complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except as described in this chapter.

Introduction

The Department of Health's mandate is to protect and improve the health of Saskatchewan people. To do this, the Department provides policy direction, direct services, and funding to health providers and health agencies.

In Chapter 6A of our 2001 Fall Report – Volume 2, we reported the results of our audits of the Department and its agencies for the year ended March 31, 2001. At that time, we had not completed our audit of the Moose Jaw-Thunder Creek District Health Board (the District). This chapter describes the results of our audit of the District for the year ended March 31, 2001.

As well, in that chapter, we described our work with the Department to ensure that the Legislative Assembly (Assembly) and the public receive reliable information on our health system's performance. The Department plans to report on 14 health indicator areas this September. We plan to audit the indicator report and tell the Assembly whether the report is reliable. We give an update of this important work below.

Department's indicator report

In September 2000, all First Ministers in Canada prepared a news release communicating to Canadians their vision of health: *Canadians will have publicly funded health services that provide quality health care and that promote the health and well-being of Canadians in a cost-effective and fair manner.*

In this communication, the First Ministers committed to preparing reports on the performance of health systems of each provincial government and the Federal Government starting in September 2002. The First Ministers expect the reports to describe each health system's performance in 14 indicator areas. The reports will allow legislators and the public to compare the performance of their health system with the health systems in other jurisdictions.

The Legislative Assembly and the public need to know that the Department's health indicator report is reliable and comparable with other jurisdictions. They also need to know that the independent audit

assurance provided on the indicator reports is credible and consistent across jurisdictions. We are working with all legislative auditors in Canada to ensure that we provide consistent audit assurance based on professional standards.

The Department's health indicator report will provide new and vital information to the Assembly and the public on the performance of Saskatchewan's health system. In our 2000 Fall Report – Volume 3 and in our 2001 Fall Report – Volume 2 we stated that we are working with the Department to ensure that we are able to provide the Assembly with our report on the reliability of the indicator report this fall. We look forward to the Department's co-operation in this important and difficult project.

Moose Jaw-Thunder Creek District Health Board

In 1993, Order in Council 837/93 created the Moose Jaw-Thunder Creek District Health Board under *The Health Districts Act*. The Act requires the District to deliver health services.

For the year ended March 31, 2001, the District had total expenses of $57.9 million, reported an Operating Fund surplus of $1.2 million and held assets of $29.2 million. The District has issued financial statements to the Minister of Health.

Our audit conclusions and findings

In Chapter 6C of the 2001 Fall Report – Volume 2, we stated our audit conclusions and findings for the 10 district health boards that we audited for the year ended March 31, 2001. At that time, we had not completed our audit of the Moose Jaw-Thunder Creek District Health Board (the District). We had not completed this audit because we were unable to rely on the District's appointed auditor, Robert A. Tiede, Chartered Accountant, to determine whether the District had adequate rules and procedures to safeguard and control its assets and whether the District complied with the law. The appointed auditor did not do sufficient work for us to form our opinions on those matters.

Where we are unable to rely on the work and reports of an appointed auditor, *The Provincial Auditor Act* requires us to do additional audit work. Our additional audit work consisted of reviewing, evaluating, and testing

the District's internal controls to determine whether the District had adequate rules and procedures to safeguard and control its assets. We also performed tests and other procedures to determine whether the District complied with the law.

As a result of the additional audit work performed, our Office has formed the opinions referred to below.

In our opinion, for the year ended March 31, 2001:

- **the District had adequate rules and procedures to safeguard and control its assets except as reported in this chapter; and**

- **the District complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing and investing except as reported in this chapter.**

We organize our audit findings and recommendations into two groupings. These groupings reflect important responsibilities of the Board of Directors in its role of overseeing the District's operations. These are:

- setting direction and monitoring performance; and

- complying with authorities and ensuring adequate accountability to district residents and the Minister of Health.

Setting direction and monitoring performance

The Board needs to set health outcome targets and measures for the District. The Board then needs to receive reports from management showing the District's progress in achieving those targets.

In setting direction and monitoring management's performance, the Board needs to set out the health outcomes it expects and the targets and measures needed to monitor progress in achieving the expected outcomes.

The Board has not set expected outcome targets and performance measures. Once the Board has set targets and measures, it will have to

consider the effect this will have on the type, cost, and volume of District services. The Board will then need to receive reports showing what management did compared to what the Board expected. To prepare these reports, the District will need to design information and reporting systems to compare actual results to targets. We recognize this will take time and resources. Many publicly funded organizations face this challenge.

The reports that the Board received do not contain all the necessary information. The reports did not show the expected long-term health outcome targets and the District's progress in meeting the targets. As a result, the Board was unable to assess the effectiveness of its services in improving the health status of its residents. We recognize measuring and reporting on the health status of residents will take time and resources.

Preparing good internal reports for the Board will help it to govern better and will provide a sound basis for reporting on its performance to the Minister of Health and the public.

We also reported this matter in previous reports to the Legislative Assembly. In January 1999, the Standing Committee on Public Accounts Committee considered this matter and agreed with our recommendation for improvement.

We continue to recommend that:

- the Board continue to formally define and document what health outcomes it expects and the measures and targets needed to monitor progress in achieving the outcomes; and

- the District's internal reports on health outcomes compare actual performance for services delivered to planned performance.

Complying with authorities and ensuring adequate accountability

The Board needs to ensure management has established adequate rules and procedures to comply with legislative and related authorities including key agreements.

We note the following instance where rules and procedures were not adequate to ensure compliance with authorities.

Reporting required by *The Health Districts Act*

The District needs to continue to improve the information it submits to the Minister and the public to fully comply with *The Health Districts Act* (the Act).

Section 35(2) of the Act requires the District to report annually to the Minister on its services and activities and costs; the health status of its residents; and the effectiveness of its programs.

The Department of Health has issued guidelines for the preparation of the districts' annual reports, guidelines for the preparation of three-year strategic plans for districts, and guidelines for health services and outcome indicators for mothers and infants. These guidelines should help the District to meet the reporting requirements of section 35(2) of the Act.

As we noted earlier, the District also needs to improve its internal reports. Better internal reports would provide a sound basis for the preparation of the external reports to the Minister and the public required by the Act.

The District has started to give more information to the Minister and the public. The District has made progress by identifying objectives in its long term strategic plan. The District now needs to set outcome performance targets and measures to be able to report to the Minister on its performance.

We also reported this matter in previous reports to the Legislative Assembly. In January 1999, the Standing Committee on Public Accounts Committee considered this matter and agreed with our recommendation for improvement.

We continue to recommend that the District work with the Department to provide the Minister of Health and the public with the full range of information required by *The Health Districts Act*.

This page left blank intentionally.

Labour—Monitoring for workplace safety

12

Executive summary 118

Introduction 119

Occupational health committees help reduce hazards 119

Our audit objective and criteria 120

Conclusion and recommendations 121

Using minutes to enforce the role of committees—key findings 122

Identified whether committees met regularly and submitted timely minutes 122

Determined whether committees helped to identify and control hazards 123

Took steps to ensure all committees help to identify and control hazards 124

Summary 125

Selected resources 126

Executive summary

The Department of Labour is responsible to set and enforce rules that help make Saskatchewan workplaces safe. As part of its role, the Department requires employers with 10 or more workers to create occupational health committees.

Employers and workers on occupational health committees work together to improve the health and safety of workplaces. The committees help to identify and control workplace hazards. The Department of Labour uses the minutes of the committees to assist with monitoring committee effectiveness.

We examined whether the Department adequately used the minutes of occupational health committees in 2001 to enforce the role of committees in controlling workplace hazards. Our audit focused on committees in high-risk workplaces.

We found that in 2001 the Department adequately used minutes to enforce the role of committees, except that the Department was not consistent in its assistance and intervention to ensure that committees helped to control workplace hazards.

We recommend that the Department improve its processes to respond consistently to committees that request assistance, and to identify those committees that do not conduct workplace safety inspections regularly. We also recommend that the Department take consistent action when occupational health committees in high-risk work places do not submit timely minutes or do not respond to repeated requests from the Department.

Introduction

For some workers in Saskatchewan, the workplace can be dangerous. During 2001, 29 workers died of work-related causes. Over 14,700 workers had work-related injuries that resulted in time off work.[1]

Health and safety in the workplace are crucial for the welfare of the approximately 460,000 Saskatchewan citizens who participate in the workforce.[2] Safe workplaces have fewer injuries, use fewer health services, and save taxpayers' money. The Department of Labour's role is to establish and enforce the rules that help make workplaces safe for Saskatchewan workers.[3]

Occupational health committees help reduce hazards

The Department of Labour estimates that there are approximately 40,000 employers in Saskatchewan. The Department estimates that approximately 8,000 employers have 10 or more workers. To help make these workplaces safe, the Department needs to ensure that workplace hazards are identified and controlled. The Department defines a hazard as "any activity, situation, or substance that can cause harm."[4]

It would not be practical to put government inspectors in all workplaces to identify and manage workplace hazards. Therefore, to carry out its mandate, the Department of Labour has created a system that uses occupational health committees. Working together on these committees, employers and workers help identify and control workplace hazards. The occupational health committees are a critical part of the self-monitoring system that keeps workplaces safe.

The Department involves occupational health committees in promoting workplace safety in several ways. These include workplace inspections, education, promotion/awareness initiatives, and minutes that record committee activities to resolve workplace hazards. The Department uses the minutes of the occupational health committees to make sure

---

[1] Source: Saskatchewan Workers' Compensation Board. See http://www.wcbsask.com/
[2] At December 2001. Source: Government of Saskatchewan, *Monthly Statistical Review*, Vol. 28, No. 1, January 2002.
[3] *The Department of Labour Regulations, 1997*, s.3(d).
[4] Department of Labour, Occupational Health and Safety Committee Manual, p.27.

committees are functioning effectively and thus helping to control workplace hazards.

The Department requires that every employer with 10 or more workers establish an occupational health committee.[5] These committees must meet at least every three months.[6] Committees must also keep minutes in the format specified by the Department and provide the Department with minutes within two weeks of committee meetings.[7]

The Department uses committee minutes to monitor the effectiveness of occupational health committees. The minutes help the Department to assess whether the committees are complying with *The Occupational Health and Safety Act* and regulations. Occupational health officers and other Department staff use information from minutes to carry out their duties, including workplace inspections and accident investigations. In this audit, we focus on how the Department uses the minutes to make sure committees are functioning effectively and thus helping to control workplace hazards.

Our audit objective and criteria

The objective of the audit is to assess whether the Department of Labour adequately used occupational health committee minutes in 2001 to enforce the role of the committees in controlling workplace hazards.

We based our expectations (criteria) upon the Act and regulations, our review of literature, and the reports of other auditors. The Department agreed with the criteria listed in Exhibit 1.

To carry out the audit, we randomly selected 100 workplaces that submit minutes, including workplaces with higher than average risk to workers. We examined the Department's use of minutes during 2001 from the selected workplaces. We interviewed relevant Department staff. Throughout the audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

---

[5] *The Occupational Health and Safety Act, 1993*, s.15(1). Employers with fewer workers designate a worker health and safety representative. These were beyond the scope of this audit.
[6] *The Occupational Health and Safety Regulations, 1996*, s.41(1).
[7] Ibid., s.42.

Exhibit 1—Criteria

Adequate use of minutes of occupational health committees to enforce the role of committees in controlling workplace hazards, means that the Department of Labour:

1. Identified whether committees met regularly and submitted timely minutes
    - Identified places of employment with 10 or more employees
    - Tracked submission of minutes
    - Reviewed minutes to determine that committees included appropriate members
    - Took appropriate action when minutes were not submitted (e.g., phone call, letter, site visit)
2. Determined whether minutes indicated that committees helped to identify and control hazards
    - Reviewed minutes to determine whether committees documented concerns
    - Reviewed minutes to determine whether committees took or proposed actions to resolve concerns
    - Identified committees that may not have adequately identified concerns
3. Took steps to ensure that those committees that may be not adequately helping to identify and control hazards, do so
    - Provided assistance to committees when needed
    - Undertook investigation or intervention when needed

Conclusion and recommendations

The Department of Labour promotes workplace safety in various ways. The Department's regulations require occupational health committees to play a key role in reducing the risk of worker deaths and injuries. The Department monitors committee minutes to help determine whether committees are effective in carrying out their role.

We concluded that in 2001 the Department of Labour adequately used minutes to enforce the role of occupational health committees, except that the Department was not consistent in its assistance and intervention to ensure that committees helped to control workplace hazards.

1. We recommend that the Department improve its processes:

- **to respond consistently to occupational health committees that request assistance; and**
- **to identify occupational health committees that do not conduct workplace safety inspections regularly.**

2. **We recommend that the Department take consistent action when occupational health committees in high-risk work places do not submit timely minutes or do not respond to repeated requests from the Department.**

Using minutes to enforce the role of committees—key findings

In this section, we describe our expectations of the Department (*in italics*) and set out our key findings for each criterion.

Identified whether committees met regularly and submitted timely minutes

We expected that the Department should identify places of employment that should have an occupational health committee (i.e., those with 10 or more workers). We expected the Department to monitor the submission of minutes from these committees and take action when minutes were not submitted as required by law. As well, we expected the Department to review minutes to make sure committees had appropriate members.

The Department is steadily increasing the number of occupational health committees that it is monitoring. It estimates that about 8,000 employers should have an occupational health committee (i.e., because they employ 10 or more workers). In 2001, the Department received minutes and monitored the occupational health committees of approximately 4,000 employers, representing approximately 198,000 workers.[8] The Department has a process to initiate committees in places of employment where it assesses that the risk to workers is the greatest.

We found that the Department monitored the submission of minutes from workplaces with occupational health committees. The Department reviewed the minutes to determine whether the appropriate members attended committee meetings. The Department centrally reviews minutes and records information from this review in a database. We found that the Department notified committees when their minutes were not submitted or were submitted late.

[8] Source: Department of Labour estimate.

Determined whether committees helped to identify and control hazards

We expected that the Department should review minutes from occupational health committees to determine whether the committees were documenting health and safety concerns as well as taking or proposing action to resolve those concerns. We expected that the Department should identify committees that may not have adequately identified concerns.

We found that the Department consistently reviewed the minutes to determine whether occupational health committees documented health and safety concerns. Our examination of the Department's database showed that the Department carried out its central review of minutes on a timely basis with few errors. Occupational health officers also review minutes and evaluate whether the committees are documenting concerns and taking steps to resolve concerns in cooperation with employers.

The Department also identified committees that may not have adequately identified concerns. The Department identified committees that repeatedly did not submit minutes or indicated that there were no concerns in their workplace. Because most workplaces have some health and safety concerns, this lack of activity may point to a committee that is not doing its job.

Occupational health committees are responsible for regular inspections of the workplace. A committee inspection is intended to be a "...well thought out, purposeful examination that identifies and helps correct threats to the health and safety of workers."[9] The Department states that "...workplaces with effective inspection systems are more likely than other places of employment to avoid mishaps."[10]

The Department does not require committees to record the date of formal committee inspections in their minutes. Having the date of committee inspections recorded in the minutes would help the Department to take action if the inspections are not frequent enough to assist committees to adequately identify concerns.

---

[9] Department of Labour, *Inspections: A Guide for Committees and Representatives*, p.1.
[10] Ibid.

Took steps to ensure all committees help to identify and control hazards

We expected that the Department should provide assistance to occupational health committees when needed, for example, to help the committees identify hazards. We expected that the Department should investigate and/or intervene when needed to ensure that committees adequately help to identify or control hazards.

Occupational health committees sometimes need the Department's assistance or intervention. The Department invites committees to use a space on the required minutes form to request assistance.

In 2001, fifteen per cent of occupational health committees requested assistance through their minutes. Most of the requests were routine (for example, for additional forms). However, some requests were for Department help in identifying and controlling hazards.

We found that the Department responded to virtually all of the requests made through the minutes. We found one exception, which was notable because the request was for assistance in identifying a workplace hazard and because the request came from a committee in a high-risk workplace. Our expectation, and that of the Department, is that the Department will respond to all such requests.

The Department sent written reminders to committees that were late in submitting minutes. The Department did not take further enforcement action in several cases where committees repeatedly failed to submit timely minutes. A failure to submit minutes may be an early indication that workplace hazards are not detected or resolved.

In addition, the Department was not consistent in its treatment of committees that were late in providing minutes or that did not respond to the Department. In some cases, the Department followed up its reminder letters with enforcement measures. In other cases, the Department took no additional enforcement steps. Some of the variation in how the Department responded was due to the varying practice of occupational health officers rather than the risk of hazards in the workplace.

The Department has guidelines for how occupational health officers should follow-up on committees that submit late minutes or do not respond. The guidelines are intended to encourage fair and consistent treatment of committees, while preserving the flexibility of occupational health officers to make decisions based on their assessment of risk to workers. We encourage the Department to promote consistent action by occupational health officers.

Summary

The Department of Labour is responsible for helping to make Saskatchewan workplaces safe. The Department promotes workplace safety in various ways.

Occupational health committees perform an important role. The Department uses occupational health committees and their minutes as one efficient way to enforce its rules for safe workplaces. Minutes of occupational health committees help to inform the Department whether the committees are functioning effectively.

In future audits, we will examine additional risks and issues that the Department must manage to fulfill its mandate and achieve its objectives.

We wish to acknowledge the assistance and co-operation we received during this audit from the Department, and in particular, from its Occupational Health and Safety Division.

Selected resources

Auditor General of Canada. (2000). Chapter 24 – Federal health and safety regulatory programs. In *The Report of the Auditor General*. Ottawa: Author.

Auditor General of Canada. (2000). Chapter 24, Special insert – Implementing health and safety regulatory programs. In *The Report of the Auditor General*. Ottawa: Author.

Department of Labour. (2001). Inspections: A guide for committees and representatives. Regina: Author.

Department of Labour. (2000). Occupational health and safety committee manual. Regina: Author.

Provincial Auditor Ontario. (2001). Chapter 3.01 – Food Industry Program. In *2001 Annual Report*. Toronto: Author.

Municipal Affairs and Housing

13

Executive summary **128**

Introduction **129**

Understanding the Department **129**

Role of the Department 129

Special purpose funds and Crown agencies 130

Overview of the Department's finances 130

Key challenges facing the Department 131

Audit conclusions and findings **132**

Department 133

Status of previous recommendations 133

Reporting on performance 134

For libraries 134

For provincial-municipal infrastructure programs 134

Saskatchewan Archives Board 135

Status of previous recommendation on written contract 135

Saskatchewan Housing Corporation 136

Status of previous recommendation on public housing authorities 136

Executive summary

In this chapter, we report on the Department of Municipal Affairs and Housing and on a number of agencies for which it is responsible.

Our previous report to the Assembly on this Department included the results of our work on the First Nations Fund. The Department is no longer responsible for the Fund. It is now the responsibility of the Department of Intergovernmental and Aboriginal Affairs. Chapter 8A of our 2001 Fall Report – Volume 2 contains the results of our work on the Fund for the year ended March 31, 2001.

In this chapter, we provide an update on previously reported recommendations on the Department, the Saskatchewan Archives Board, and the Saskatchewan Housing Corporation. For the most part, we note that the Department has made progress towards compliance with these recommendations. However, the Saskatchewan Archives Board had not made progress in making an agreement with the University of Saskatchewan to ensure the responsibilities and duties for its accommodation and accounting services are clearly defined and understood.

For the Saskatchewan Housing Corporation, we met with management to consider the most effective method of giving the information included in the audited financial statements for the housing authorities and territories to the Legislative Assembly. Together with management, we decided the most effective way to present this information is to prepare a schedule of the key financial information of the housing authorities and territories. The Department plans to include this schedule as an insert in the Corporation's annual report.

Introduction

In this chapter, we set out:

- a brief overview of the Department's role and key challenges that it faces; and
- the results of our 2001 audits of the Department and the various special purpose funds and Crown agencies for which it is responsible.

Understanding the Department

It is important that legislators and the public understand the role of the Department, the environment in which it operates, and the key challenges it faces. This information helps them assess the Department's performance.

Role of the Department

The Department of Municipal Affairs and Housing (Department) is responsible for supporting and maintaining a viable system of municipal government in Saskatchewan. Its responsibilities are set out in over 50 different pieces of legislation. Its responsibilities include enabling communities to provide sustainable local governance, improving housing, providing access to public information, and protecting the public.

Up to February 8th, 2001, the Department was also responsible for enabling communities to provide access to sport, recreation, and culture. On February 8th, 2001, Cabinet established the Department of Culture, Youth and Recreation (Culture, Youth and Recreation). It transferred these responsibilities to this new department.

The Department's 2000–2001 Annual Report provides an overview of its mandate and operations and those of Culture, Youth and Recreation. A copy of the report is available at http://www.municipal.gov.sk.ca.

Saskatchewan has an extensive system of local government. The Department works with over 800 municipalities, nearly 300 public housing authorities, 10 public library systems, and various other agencies.

Special purpose funds and Crown agencies

At March 31, 2001, the Department was responsible for the following special purpose funds and Crown agencies:

	Year End
Sask911 Account	March 31
Saskatchewan Archives Board	March 31
Saskatchewan Heritage Foundation	March 31
Western Development Museum	March 31
Municipal Potash Tax Sharing Administration Board	December 31
Northern Revenue Sharing Trust Account	December 31
Saskatchewan Housing Corporation	December 31

Up to February 8, 2001, the Department was also responsible for the Community Initiative Fund (formerly the Associated Entities Fund), the Saskatchewan Arts Board, the Saskatchewan Centre of the Arts, and the Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation. On February 8th, the Department of Culture, Youth and Recreation assumed responsibility for these funds and crown agencies.

Overview of the Department's finances

The Government's summary financial statements include the Department's revenues and expenses. For the year ending March 31, 2001, the Department had revenues of $20.2 million of which $12.1 million related to lottery licences. The 2001 summary financial statements show "social services and assistance expenses" of $782 million of which $137 million relates to spending of the Department. The Department's remaining expenses are included in various other expense categories.

The following is a list of major programs and their spending for the year ended March 31, 2001 as reported by the Department in its 2000-2001 Annual Report and in the *Public Accounts 2000-2001: Volume 2: Details of Revenue and Expenditure* (2000-2001 Public Accounts – Volume 2) (to view a copy of this report, see http://www.gov.sk.ca/finance/paccts).

	Original Estimates	Actual
	(In millions of dollars)	
Municipal Financial Assistance	$ 84.3	$ 83.8
Housing	36.3	36.0
Gaming Funds	20.6	19.5
Provincial Library	8.0	8.0
Cultural & Recreation Financial Assistance	9.2	9.2
Municipal & Community Services	7.1	6.8
Accommodation & Central Services	3.2	3.2
Public Safety	4.5	6.6
Cultural Tourism Facilities	5.2	5.4
Administration	2.5	2.5
	$ 180.9	$ 181.0

Key challenges facing the Department

The Department works to provide the legal framework, organization support, financial assistance and other services to meet the unique and changing needs of Saskatchewan people.

As described in its 2000-2001 Annual Report, four key economic, social, and demographic trends affect the Department and its services. The four key trends are: a concentration of economic activity in larger urban centres, a downturn in the agricultural sector reducing the number of farmers and farm income levels, the increased pressure on roads and highways due to abandonment of rail lines and grain elevator closures, and an aging population compounded by a shift of young people from rural to urban centres leaving fewer and higher percentages of older people in rural centres. A fifth trend mentioned in other publications is the increasing share of property taxes for education.

The 2000–2001 Annual Report also cites challenges for each of its main areas of responsibilities being municipal, housing, and public safety. These challenges primarily relate to:

- the capacity of municipalities to deliver the necessary services (e.g., adequate roads, water systems, housing, public safety) at a reasonable cost to the public (e.g., level of property and provincial taxes, and user fees),

- the ability of Saskatchewan residents to access quality, affordable housing, and

- the maintenance of safe and enriching communities.

To be successful, the Department must ensure its goals, objectives, and actions address these challenges.

Audit conclusions and findings

This section contains our audit conclusions and findings for the 2001 audits of the Department, its special purpose funds, and Crown agencies.

To carry out the audits and to form the opinions below for the Sask911 Account and the Saskatchewan Housing Corporation, our Office worked with PricewaterhouseCoopers, the appointed auditors for the Sask911 Account, and with KPMG, the appointed auditors for the Saskatchewan Housing Corporation. We worked together using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view a copy of this report, see our web site at http://www.auditor.sk.ca/rrd.html).

In our opinion:

- **The following financial statements are reliable:**
  - **For the year ended March 31, 2001:**
    - **Sask911 Account;**
    - **Saskatchewan Archives Board;**
    - **Saskatchewan Heritage Foundation; and**
    - **Western Development Museum.**
  - **For the year ended December 31, 2001**
    - **Municipal Potash Tax Sharing Administration Board;**
    - **Northern Revenue Sharing Trust Account; and**
    - **Saskatchewan Housing Corporation.**

- **The Department and the above agencies had adequate rules and procedures to safeguard and control their assets except for the matters reported in this chapter.**

- **The Department and the above agencies complied with authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matters reported in this chapter.**

We also report that the Department should continue to improve its annual report.

Department

Status of previous recommendations

In this section, we set out previously reported recommendations that are not yet complied with and are of continued relevance. The Standing Committee on Public Accounts considered these matters and concurred with the recommendations below.

In this section, we also identify key activities that the Department has undertaken to move towards compliance with these recommendations.

We continue to recommend that:

The Department should continue to improve its annual report.

For libraries:

- the Department should require the libraries to use the standards for financial statements recommended by the Canadian Institute of Chartered Accountants (CICA); and

- the Department should receive and verify reports on how successful the libraries were in meeting the Department's objectives.

For provincial-municipal infrastructure programs:

- the Department should improve its procedures to ensure provincial-municipal infrastructure grants provided to municipalities meet the conditions of the related program.

Reporting on performance

The Department continues to make improvements to its annual report as it moves forward in using its accountability framework. We look forward to continued improvements in future annual reports.

Future improvements could include a description of:

- the key risks the Department faces;
- what the Department views as its measure of successful achievement of its strategic goals; and
- the extent to which the Department has achieved its plan including an analysis of the differences between planned and actual financial and operational activities.

For libraries

In 2000-2001, the Department paid over $8 million in grants to libraries.

During the year, the Department continued to make good progress towards meeting our recommendations. The Department continued to work directly with the library boards. In addition, it asked the library boards to include in their financial statements an audited schedule of library materials. This schedule shows how the libraries spent their money. The Department also asked the library boards, starting for the year ending December 31, 2000, to prepare their annual financial statements in accordance with accounting principles recommended by the CICA for local governments. The Department plans to review these financial statements in detail to ensure the library boards understand and use the recommended accounting principles. We look forward to the Department's continued progress.

For provincial-municipal infrastructure programs

In 2000-2001, the Department paid municipalities $9.2 million under the provincial-municipal infrastructure program.

In the prior year, we reported our concern that the Department did not have the necessary information to determine if the payments it made to

municipalities complied with the *Urban Municipalities Revenue Sharing Regulations, 1981, the Rural Municipalities Revenue Sharing Regulations, 1997, the Northern Municipalities Act*, and the related program guidelines.

Municipalities were to have projects under provincial-municipal infrastructure program completed by March 31, 2001.

At March 31, 2001 and up to November 2001, the Department had not collected the necessary information to ensure its payments complied with the law. As a result, our Office cannot determine if payments made under this program meet the purposes intended.

Saskatchewan Archives Board

The Saskatchewan Archives Board (Board) is responsible for acquiring and preserving documents relating to the history of Saskatchewan. The Board also provides these documents to the public for research.

The Board had revenue of $2.8 million in 2001 and held tangible capital assets of $0.15 million at March 31, 2001.

Status of previous recommendation on written contract

In Chapter 3 of our 2001 Spring Report, we recommended that the Board should have a written contract with the University of Saskatchewan (U of S).

In October 1998 and on June 6, 2001, The Standing Committee on Public Accounts considered this matter and concurred with our recommendation.

The U of S provides the Board office space and administrative and accounting services. The Board needs a written contract to set out the responsibilities and legal obligations of each party for services provided. The contract with the U of S should set out the Board's right to access accounting records, confidentiality needs, and the rules and procedures needed to safeguard and control the Board's assets.

At March 31, 2001, the Board did not have such a contract. In February 2002, the Board indicated that it would continue to work with the University to reach such a contract.

Saskatchewan Housing Corporation

The Saskatchewan Housing Corporation (Corporation) operates under the authority of *The Saskatchewan Housing Corporation Act* (Act). The Corporation facilitates and promotes the availability of adequate and affordable housing for all Saskatchewan residents.

The Corporation prepares consolidated financial statements to report on its activities and the financial activities of the 281 public housing authorities it controls. Public housing authorities are corporations established by ministerial order under the Act. The Minister has the legislative authority to create authorities and appoint their members. Also, the Act provides that public housing authorities must comply with policies established by the Corporation. These housing authorities provide community-based management for housing projects.

Of the 281 public housing authorities, 20 are administered separately and prepare separate financial statements. The remaining public housing authorities are included, for financial administration purposes, in eight housing territories. Each territory prepares financial statements reporting the combined financial assets and liabilities and the combined results of operations for the public housing authorities included in the territory.

In 2001, the Corporation had revenues of $158.9 million including $69.1 million in revenue from projects managed by the public housing authorities. The Corporation had expenditures of $159.3 million including operating expenditures of $78.9 million incurred by the public housing authorities. At December 31, 2001, the Corporation held assets of $287 million.

Status of previous recommendation on public housing authorities

In our 2001 Spring Report and our 2000 Spring Report, we reported that the Corporation does not give the audited financial statements for the public housing authorities to the Legislative Assembly.

We recommended that Saskatchewan Housing Corporation give the Assembly the audited financial statements of the 20 housing authorities and the eight housing authority territories.

The Standing Committee on Public Accounts (PAC) considered this matter on September 27, 2001. PAC considered three alternatives:

- provide the Assembly the audited financial statements of the 20 housing authorities and the eight housing authority territories;
- not provide the Assembly the financial statements of the 20 housing authorities and the eight housing authority territories; and
- not provide the Assembly the financial statements of the 20 housing authorities and the eight housing authority territories, but provide alternative information that would meet PAC's objectives for disclosure and accountability.

After discussing the alternatives, PAC deferred its decision on our recommendation until further information becomes available. As well, PAC asked the Corporation's management to consult with our Office on alternative methods of providing the information included in the audited financial statements of the housing authorities and territories.

We met with the Corporation's management to consider alternative methods of providing the information included in the audited financial statements of the housing authorities and territories. Our Office and the Corporation's management decided the most effective way to present this information to the Legislative Assembly is as follows.

- The Corporation's management will prepare a schedule showing the assets, liabilities, revenues, and expenditures as reported in the audited financial statements of the housing authorities and territories included in the Corporation's consolidated financial statements.
- This schedule will be given to the Assembly as an insert to the annual report.

- The Corporation will provide written notice in the schedule that those needing more detailed information can obtain the audited financial statements for the housing authorities and territories from the Corporation upon written request.

1. **We recommend that the Saskatchewan Housing Corporation provide the Legislative Assembly with a schedule showing the following information: the assets, liabilities, revenues, and expenditures of the housing authorities and territories included in the Corporation's consolidated financial statements. The schedule should indicate that the audited financial statements are available upon request.**

Justice

14

Introduction **141**

Public Trustee for Saskatchewan **141**

Update of our audit work 141

Summary 143

This page left blank intentionally.

Introduction

The mandate of the Department of Justice is to promote safe communities, social and economic order, and fair and just relations among people through the operation of an independent, impartial, and effective justice system that upholds the rule of law and defines the basic legal rights of citizens.

In Chapter 9 of our 2001 Fall Report – Volume 2, we reported the results of our audits of the Department of Justice and the related special purpose funds and Crown agencies for the year ended March 31, 2001, including partial audit results of the Public Trustee for Saskatchewan. This chapter provides an update of the status of our audit of the Public Trustee of Saskatchewan for the years ended March 31, 2000 and March 31, 2001.

Public Trustee for Saskatchewan

The Office of the Public Trustee for Saskatchewan (Trustee) administers the property and financial affairs of approximately 5,500 clients. Clients include dependent adults, infants, and estates. The Public Trustee is assisted by two Deputy Public Trustees and approximately 29 staff.

For the year ended March 31, 2000, the Trustee acquired and disbursed $46 million on behalf of its clients and held assets worth $146 million. The majority of clients' assets are held in an investment fund consisting of mostly stocks and bonds. The Trustee is also responsible for personal items of clients such as real estate, vehicles, furniture, and appliances.

Clients depend on the Trustee to manage their financial affairs. The Trustee is responsible for protecting clients' assets and making financial decisions and payments on their behalf. The Trustee needs strong administrative systems to carry out these duties. Without strong administrative systems, the clients' assets and the administration of their financial affairs are vulnerable.

Update of our audit work

In Chapter 9 of our 2001 Fall Report – Volume 2, we reported our audit conclusions and findings for the Trustee for the year ended March 31, 2001. In that chapter, we reported several significant weaknesses in the

Trustee's rules and procedures and made recommendations for corrective action. We initially made these recommendations in Chapter 2 of our 2001 Spring Report.

In our 2001 Spring Report, we noted that the Trustee needed to take prompt corrective action to administer properly its clients' affairs and to fix its computer system. We reported that the client and financial records were not accurate. As well, we reported that due to inaccurate client and financial records, the Trustee was unable to prepare financial statements for the year ended March 31, 2000.

The Trustee has now prepared financial statements for the year ended March 31, 2000. At the date of this report, we have not completed our audit of these financial statements. In a future report, we will report the results of our audit of these financial statements. The Trustee has not prepared financial statements for the year ended March 31, 2001.

In our 2001 Fall Report – Volume 2, we provided an update of the Trustee's progress in fixing its practices. We reported that the Trustee had started a comprehensive review of clients' records to make them accurate. The Trustee has now completed this work. This work has resulted in the Trustee increasing the recorded value of client assets by $4.9 million as at March 31, 2000.

We also reported that in March 2001, the Trustee determined that it had recorded $2.5 million more in earnings than it should have in its clients' records. Because of this error, the Trustee had collected $85,000 in excess administration fees from its clients. In addition, we reported that because of this error, the Trustee paid $270,000 (later determined to be $235,000) of incorrect earnings to its former clients. The Trustee used money from other clients when it made these incorrect payments.

During 2001-02, the Trustee refunded the excess administration fees that it had charged its clients. To collect the $235,000 paid incorrectly to former clients, the Trustee asked them to return the money. Former clients returned approximately $100,000. The Trustee then requested and received the remaining $135,000 from the General Revenue Fund.

The Trustee's review of client and financial records, noted above, did not find any improper use of clients' assets.

We audited the adjusted client and financial records and determined that they are reliable as at March 31, 2000.

Summary

The Trustee continues to make progress in addressing the weaknesses in its rules and procedures, but more work is necessary. In our 2002 Fall Report, we will provide a full update on the Trustee's status in addressing the weaknesses. We also expect to report the results of our audit of the 2000 financial statements.

Providing timely audited financial statements to the Assembly is important. Our reports of the results of our audits of 2001 and 2002 financial statements will depend on the Trustee preparing these financial statements. We continue to encourage the Trustee to work towards the preparation of timely financial statements.

This page left blank intentionally.

Liquor Board Superannuation Commission

15

Executive summary **146**

Introduction **147**

Our audit conclusions and findings **147**

Verification of investment manager compliance reports 147

Retired members' pensions 148

Executive summary

In this chapter, we report the results of our audit of the Liquor Board Superannuation Commission (Commission) for the year ended December 31, 2001. The Commission is responsible for administering the Liquor Board Superannuation Plan (Plan). We concluded the Plan's financial statements are reliable. The Commission had adequate rules and procedures to safeguard and control the Plan's assets except for matters we report in this chapter. Also, the Commission complied with the laws governing its activities except for matters we report in this chapter.

We report two matters for the attention of the Legislative Assembly.

First, we report the Commission needs adequate rules and procedures to ensure the Plan's investments comply with *The Pension Benefits Act 1992*, and the Plan's statement of investment objectives. The Plan receives quarterly investment compliance reports from its investment manager. However, the Plan does not have adequate processes to verify its investment manager's compliance report. As a result, we cannot determine if the Commission complied with the law and the Plan's established investment objectives. Management told us it plans to address this matter.

Second, we report the Commission does not have adequate rules and procedures to know if retired members are working for the Government. Section 27 of *The Superannuation (Supplementary Provisions) Act* sets out the requirements for stopping pensions when retired members receiving pensions return to work for the Government. We have reported this matter in our previous reports. Management told us it plans to seek changes to the Act.

Introduction

The Saskatchewan Liquor and Gaming Authority sponsors the Liquor Board Superannuation Plan (Plan). The Plan was established under *The Liquor Board Superannuation Act*. The Liquor Board Superannuation Commission (Commission) is responsible for administration of this Act. Through the Plan, the Commission provides superannuation allowances to retired employees and dependants of deceased superannuates and employees. The Plan is a defined benefit final average pension plan. Under the direction of the Commission, the Public Employees Benefits Agency provides day-to-day management to the Plan.

In 2001, the Plan had contributions of $2.32 million and pension benefits including refunds of $2.9 million. At December 31, 2001, the Plan held assets of $14.1 million and had liabilities of $27.9 million.

Our audit conclusions and findings

In our opinion for the year ended December 31, 2001:

- **the Plan's financial statements are reliable;**
- **the Commission complied with the authorities governing the Plan's activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matters described below; and**
- **the Commission had adequate rules and procedures to safeguard and control the Plan's assets except for the matters described below.**

Verification of investment manager compliance reports

The Commission needs adequate rules and procedures to ensure the Plan's investments comply with the law and the Plan's statement of investment objectives.

The Commission is responsible to ensure that all investments comply with the law and the Plan's investment objectives. *The Pension Benefits Act 1992* sets out the investment requirements that the pension plans must

follow. Pension plans sometimes contract with investment managers to make investment decisions. Pension plans must ensure their investment managers comply with the requirements of their investment objectives and with the law. Plans can do this by independently verifying the investment manager's compliance reports.

The Commission's contract with its investment manager requires the manager to ensure the Plan's investments comply with the law and the Plan's statement of investment objectives. Quarterly, the Commission receives investment compliance reports from the investment manager. However, the Commission does not verify those reports. Also during 2001, the Commission converted all of its investments to pooled funds resulting in change of information it received from its investment manager. Investment managers provide less information about the securities bought and sold in pooled funds. Therefore, the relevant information is not readily available to verify the investment manager's compliance reports.

To ensure that all investments comply with the law and the Plan's investment objectives, the Commission should verify the investment manager's compliance reports. Alternatively, the Commission could receive periodic independent assurance on the adequacy of the systems and practices the investment manager uses. Because the Commission did not have rules and procedures to verify its investment manager's compliance report, we cannot determine if the Commission complied with the law and the Plan's established investment objectives.

1. **We recommend that the Commission should establish rules and procedures to verify the investment manager's compliance reports.**

Management told us it plans to address this matter.

Retired members' pensions

The Commission needs information about retired members of the Plan who are receiving a pension and who have returned to work for the Government. The Commission needs this information to ensure it pays pensions in accordance with the law.

Section 27 of *The Superannuation (Supplementary Provisions) Act* sets out the requirements for stopping pensions when retired members receiving pensions are re-employed. This Act allows retired members receiving pensions to work for the Government as temporary, casual, or provisional employees for a period not exceeding six months in a fiscal year without any reductions in their pensions. However, the Act requires the Commission to stop the pension of a retired member receiving a pension who works for the Government more than six months in a fiscal year. The Act also requires the Commission to stop the pension of a retired member who is re-hired by the Government as a permanent employee on the day the member starts work.

The Commission does not have adequate rules and procedures to know if retired members are working for the Government. The Commission relies on retired members receiving a pension notifying the Commission upon re-employment with the Government. As a result, the Commission cannot ensure all pensions paid comply with the law. Also, because the Commission does not have adequate rules and procedures to know if retired members are working for the Government, we cannot determine if the Commission complied with section 27 of the Act.

We also reported this matter in our 2001 Spring Report.

In November 2001, the Standing Committee on Public Accounts considered this matter and concurred with our recommendation.

We continue to recommend that the Commission establish rules and procedures to ensure all retired members receiving a pension, who have returned to work for the Government, are paid in accordance with the Act. Alternatively, the Commission should seek changes to the Act.

Management told us it plans to seek changes to the Act.

This page left blank intentionally.

Standing Committee on Public Accounts

16

Introduction **153**

Overview of Committee's role and responsibilities **153**

The members of the Standing Committee on Public Accounts 154

Key Committee accomplishments **155**

Status of recommendations of the Committee **156**

Key terms used in the Exhibit 156

Summary **157**

Exhibit – Status of outstanding Committee recommendations **158**

This page left blank intentionally.

Introduction

This chapter provides an overview of the role and responsibilities of the Standing Committee on Public Accounts (Committee). We briefly describe what the Committee does, how it is structured, and how it works.

We discuss the importance of the Committee's deliberations and recommendations. We highlight some of its recent accomplishments. Also, in the Exhibit to the chapter, we set out the status of outstanding recommendations of the Committee. Reviewing these outstanding recommendations provides the Committee members with an opportunity to ask Government officials why they have not dealt with these recommendations.

Overview of Committee's role and responsibilities

At the beginning of each Legislature, the Legislative Assembly appoints members of the Committee. The Committee helps the Assembly to hold the Government accountable for its management of public resources. We view this Committee as the audit committee for the Legislative Assembly and thus, for the public.

The management of public resources begins and ends in the Assembly. The Assembly refers to the Committee the public accounts of the Government of Saskatchewan and the reports of our Office. The Committee uses these reports to review the Government's management of public resources.

The Government manages Saskatchewan's public resources through a vast and complex structure of nearly 300 organizations, including departments, boards, and Crown corporations (see Appendix 2 to this Report for a list of these organizations).

The Committee's main objective is to discuss and recommend actions to be taken on issues that are raised by Committee members and by our Office. To meet its responsibilities, the Committee examines and evaluates the activities of all government departments, agencies, and Crown corporations included in the public accounts. It also reviews the issues raised in our reports on the results of our work at government organizations.

The Committee has access to all government organizations and their officials. The officials attend the Committee meetings and answer questions about the administration of their programs. Our Office attends the Committee's meetings to help the Committee in its reviews.

The Committee formally reports its findings and recommendations to the Assembly in written reports.

The Committee is not fundamentally concerned with matters of policy. Rather, it questions the economy and effectiveness of the administration of government programs.

The Committee's discussions and recommendations to the Assembly result in a more open and accountable government and in better management of government operations. By questioning, requesting information, and making recommendations in its reports to the Assembly, the Committee also acts as an agent of change in the practices of government management. The Committee's work is crucial in a well-managed parliamentary system of government. The Committee provides a vital link in the chain of accountability over public resources.

The work of the Committee contributes to the public's confidence in our system of government.

The Committee's meetings are open to the public. Written records of the Committee's meetings (Hansard verbatims), minutes, and reports are available to the public on the Committee's web page (which is part of the Assembly's Internet web site – http://www.legassembly.sk.ca/committees/paccomm.htm).

The members of the Standing Committee on Public Accounts

The members of the Committee at its most recent sitting in the second session of the 24th Legislature were as follows:

- Ken Krawetz, Chair
- Ron Harper, Vice-Chair
- Rod Gantefoer
- Debbie Higgins

- Carolyn Jones
- Judy Junor
- Carl Kwiatkowski
- Lyle Stewart
- Milton Wakefield
- Mark Wartman

Key Committee accomplishments

In this section, we describe certain accomplishments of the Committee since the spring of 2001. During this time, the Committee continued its review of a number of our reports on the results of our work at government organizations. These include all of our reports from our 1999 Spring Report to our 2000 Fall Report (Volumes 1, 2 and 3). The Committee also began its review of our 2001 Spring Report and our 2001 Fall Report (Volumes 1 and 2). During 2001-2002, the Committee met 12 times to discuss our reports. The Committee has made good progress in reviewing our reports. It has not yet prepared a Report to the Assembly setting out its recommendations resulting from its review of these reports.

The Committee's last report setting out recommendations, other than for changes to our Act, is the Committee's Third Report of the 23rd Legislature which was presented on April 19, 1999. That Report contains over 280 recommendations. The Assembly concurred in the Report. The Government responded to the Report on February 15, 2000.

At this time, the Committee has not yet completed or reported on its review of the following reports of the work of our Office at government organizations:

- 1999 Spring Report – one chapter outstanding;
- 1999 Fall Report (Volume 2) – one chapter outstanding;
- 2000 Fall Report (Volume 2);
- 2001 Spring Report – one chapter outstanding; and
- 2001 Fall Report (Volumes 1 and 2).

Status of recommendations of the Committee

The Committee's reports during the previous five years contain 374 recommendations. Some of these recommendations may take a number of years to implement. We note that as of March 2002, the Government has fully implemented 78% (March 2001 – 75%) of the Committee's recommendations. Also, it has partially implemented 61% (March 2001 – 55%) of the remaining recommendations.

The Committee has asked us to monitor compliance with its recommendations and to report on their status. In the Exhibit, we provide an update on the status of the Committee's recommendations. The Exhibit lists all of the Committee's recommendations that are not yet fully implemented.

Key terms used in the Exhibit

Each recommendation in the Exhibit includes a reference to a "PAC Report Year". This reference is to the year that the Committee first made the recommendation. In the "Outstanding Recommendation" column of the Exhibit, we set out those recommendations that the Government has not yet fully implemented. Starting with the 23rd Legislature, the Committee's reports contain two types of recommendations. They are:

1. **Committee recommendations** on which the Committee expects an official response from the Government. In the Exhibit, these recommendations are identified by a bold number (e.g., **3**) preceding them.

2. **Committee concurs with recommendations** of our Office. These are our Office's recommendations which the Committee supports, agrees, or concurs with but on which it **does not expect a formal response** from the Government. Because these recommendations are a matter of ongoing record, the Committee expects the Government's progress in complying with them to be followed up. In the Exhibit, these recommendations are identified by a non-bolded number (e.g., 10.46) preceding them. The non-bolded numbers reflect the chapter and paragraph number of our related report.

For each outstanding recommendation, we assess the status of the recommendation. We indicate the date of our assessment in parentheses. Generally, the date of our last assessment is based on the timing of our most recent audit work. We list the status of each recommendation as either not implemented or partially implemented.

Not implemented – Based on the last time that we audited the area or organization, action has not been taken on this recommendation.

Partially implemented – Based on the last time that we audited the organization, some action has been taken on this recommendation.

When the Committee recommends that the Government examine, consider, study, or review an issue, the Committee needs to know what the Government decided and why the decision was taken. The Committee expects the Government's response to:

- clearly define the issue;
- set out the sources of supporting information gathered by surveys, interviews, or literature searches;
- outline the major factors involved—the pros and cons; and
- describe the action it proposes to take.

Summary

Increasingly, the Committee's discussions relate to broader issues including strategic plans, key risks to achieving goals and objectives, and performance measurement. We congratulate the Committee on its efforts to foster a more open and accountable government and better management of government operations.

We intend to continue helping the Committee carry out its important responsibilities. We will encourage the implementation of the Committee's recommendations. In future reports, we will continue to monitor the status of its recommendations.

Exhibit – Status of outstanding Committee recommendations

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
Second Report of PAC – 22nd Legislature – tabled March 3, 1993		
1993	**12a,b**. The Government should establish consistent policies for entertainment, employee recognition, advertising and donations for all organizations and the policies should be made public.	**Not implemented** (as at March 31, 2002). The Government does not have consistent policies for entertainment, employee recognition, advertising, and donations for all organizations.
1993	**12c**. *The Legislative Secretary Expense Regulations* should be changed to specify conditions for assigning vehicles.	**Not implemented** (as at March 31, 2002). The Government has not changed these regulations.
Third Report of PAC – 22nd Legislature – tabled March 19, 1993		
1993 (3rd) 1994 (6th) 1995 (7th) 1996 (1st) 1997 (2nd)	In its reports of 1993, 1994, 1995 and 1996, PAC recommends: **3.** The Government should study the implications and issues related to the preparation of a multi-year financial plan for the Government as a whole. **4.** As to the matter of annual financial plans showing proposed revenue-raising programs and spending programs of all government organizations, and the matter of a multi-year plan for all government organizations, this Committee recommends that the Office of the Provincial Auditor, the Crown Investments Corporation and the Department of Finance undertake discussions on this issue, and return to this Committee with a joint report. During these discussions, the Committee asks that the advice of the Institute of Chartered Accountants of Saskatchewan and the Provincial Audit Committee be sought.	**Study deferred by PAC**. (as at March 31, 2002). The Government has not presented a study to the Committee for consideration. In its October 1995 response to PAC's Seventh Report, the Government stated this recommendation contains a number of issues that significantly impact government processes, including governance and financial planning and reporting. The Government is in the process of studying these issues and assessing the implications. Until the Government has fully analysed the concerns, the basis for its current budget and its operating processes will be maintained. PAC, in its April 1997 Second Report of the 23rd Legislature, stated it "is satisfied with the Government's explanation that it currently prepares a comprehensive financial plan, and that multi-year budgeting on a government-wide basis would significantly impact a number of government processes, including governance, financial planning and reporting. Consequently the Committee decided that it is premature for the Government to consider moving towards multi-year, government-wide planning information until such time as there have been standards and consistency developed for reporting this information". In its Third Report of the 23rd Legislature, tabled in April 1999, PAC reaffirmed its position that "it is premature for the Government to consider moving towards

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
		multi-year, government-wide planning information until such time as there have been standards and consistency developed for reporting this information". In our 1998 Fall Report – Volume 1, we recommend Cabinet improve its published overall plan by showing clearly the broad direction of the entire Government from both a financial and operational perspective. In our 1998 Fall Report – Volume 2, we note the Minister of Finance announced a review of the Government budget process. We suggest as part of this initiative, the Government should provide Legislators with a complete financial plan for the entire Government that sets out all planned revenues and expenses expected for each of the next two or three years. In its Third Report of the 23rd Legislature, tabled in April 1999, PAC noted the above initiative and "agreed to await the conclusion of this examination by the Minister before further addressing the issue".
1993 (3rd) 1994 (6th)	In its reports of 1993 and 1994, PAC recommends: **10.** The Government should adopt the accounting principles and reporting standards established by the Public Sector Accounting Board (PSAB) of The Canadian Institute of Chartered Accountants (CICA) and is encouraged to move toward the use of these principles for the preparation of financial plans and budgets.	**Partially implemented** (as at March 31, 2002). The Government follows PSAB recommendations in preparing the Summary Financial Statements that show the entire operations of the Government as required by PSAB. However, the Government does not currently prepare a financial plan that shows the entire operations of the Government as contemplated by PSAB.
1993	**12.** With regard to strengthening the ability of legislators to hold Crown corporations accountable:	**Partially implemented** (as at March 31, 2002).

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
	♦ Decisions to create Crown corporations should be properly reported to and debated by the Assembly;	Legislation now exists for all corporations governed by *The Crown Corporations Act, 1993*. The Act requires bodies incorporated by Crown corporations or designated subsidiary Crown corporations to table a report outlining the name and reasons for incorporation. Departments and Crown corporations not governed by *The Crown Corporations Act, 1993* have no such requirement.
	♦ Crown corporations should have the same public reporting requirements as do government departments unless otherwise stated in the mandate of the corporation.	The Government expects Treasury Board Crowns to follow reporting requirements similar to government departments. Other Crown corporations do not follow the same public reporting requirements as government departments.
Sixth Report of PAC - 22nd Legislature – tabled March 29, 1994		
1994	**3.** Your Committee recommends that the Government should move towards disclosing, in the summary financial statements, information on its infrastructure investments.	**Partially implemented** (as at March 31, 2002). In its 1995 review of the Government's response to PAC's Sixth Report, PAC noted "a Task Force on Reporting Capital Assets had been created under the auspices of PSAB and agreed to encourage the Minister of Finance to monitor the Task Force's progress". In 1997, PSAB recommended a statement of capital assets be prepared as soon as practicable. Since 1998, the Government has provided the information required by PSAB in the notes to the summary financial statements except for its infrastructure of highways, bridges, and dams. The Government continues to gather the outstanding information and plans to include information on highways and bridges in 2002.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1994	**12.** Your Committee recommends that the interim report issued by the Government reflect the financial results of the Government as a whole, show the financial results to the interim date compared to what was planned and show the forecast to the end of the year.	**Not implemented** (as at March 31, 2002). The *Province of Saskatchewan: 2001-2002 Mid-Year Financial Report* does not reflect the financial results of the Government as a whole or show the financial results to the interim date compared to what was planned. Rather it focuses on the financial activity of the General Revenue Fund.
1994	**15.** Your Committee recommends that the Government give consideration to the advisability of introducing legislation to limit the amount of public money that can be committed by the Government to a new project or program without the specific prior approval of the Legislative Assembly.	**Not implemented** (as at March 31, 2002). The Government has not presented a study to the Committee for consideration. In its August 1994 response to the PAC's Sixth Report, the Government said it thinks *The Crown Corporations Act, 1993* (the Act), addressed this issue for Part II Crown corporations. It said "Beyond the provisions made through the Act, the Government is not currently in a position to proceed with implementation of this recommendation. However, the Government believes the issue is worthy of study." In its 1995 review of the Government's response, PAC encouraged the Government "to do a study".
1994	**19.** Your Committee recommends that the Government provide mandate statements to the Legislative Assembly for each government organization and that those statements be referred to a standing committee for regular review.	**Partially implemented** (as at March 31, 2001). Agencies that table their annual reports in the Assembly do provide mandate statements setting out their purpose and accountabilities. Those corporations that do not table annual reports in the Assembly do not provide this information. In addition, most annual reports tabled in the Assembly are not referred to a standing committee for review.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1994	**30**. Your Committee recommends that policies established to deal with Committee recommendations should be documented in the Treasury Board Accounting and Reporting Manual or in a comprehensive manual with similar authority.	**Not implemented** (as at March 31, 2002). In its August 1994 response to the PAC's Sixth Report, the Government stated the Treasury Board Accounting and Reporting Manual includes "policy-related recommendations as they apply to departments and certain Crown corporations, agencies and boards. This covers a majority of recommendations. Currently, a manual is not maintained to document any other types of recommendations".
Seventh Report of PAC - 22nd Legislature – tabled May 10, 1995		
1995	**1**. The Government review whether forecasts of the cash required to meet existing pension liabilities should be provided to the Assembly and included in the Summary Financial Statements.	**Partially implemented** (as at March 31, 2002). The Department of Finance provided a report to PAC on March 13, 2001 showing how the Government plans to address its future cash requirements for pensions promised. The Government has provided future cash flow information in its unfunded defined benefit pension plans' financial statements or annual reports. However, it has not provided this information in the Summary Financial Statements.
1995	**2**. The Government should examine how to disclose more fully, in departmental and Treasury Board agency annual reports, information to describe its investment in infrastructure.	**Not implemented** (as at March 31, 2002). The Government has not provided a study to the Committee for consideration. In its October 1995 response to PAC's Seventh Report, the Government stated "more work is needed to determine what constitutes useful information respecting infrastructure investment". The Government provides some information about its investment in infrastructure in note 5 of the General Revenue Fund financial statements and note 4 of the summary financial statements for the year ended March 31, 2001. The Government plans to include more information in these financial statements for 2002.
First Report of PAC – 23rd Legislature – tabled June 16, 1996		
1996	**5). a.** The Government provide the Legislative Assembly with a final	**Not implemented** (as at March 31, 2002).

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
	concluding report on the implementation of the Gass Commission [Financial Management Review Commission]. **b.** The report should detail which recommendations have been implemented, which have not been implemented and should be, and what plans are in place to do so; and which recommendations should not be implemented, and the reasons why not. **c.** The Government should release background papers, studies and all other material that can be appropriately released along with this report.	
1996	**7.** The Government address the concerns raised in Chapter 4 of the Spring 1996 Report, being recommendations regarding the need for: security policies and procedures found at paragraphs 4.31; 4.32; 4.33; better accountability for security found at paragraphs 4.42; 4.43; 4.44; staff security awareness found at paragraphs 4.51; 4.52; 4.53; an IT security assessment found at paragraph 4.61; strengthening controls to protect the confidentiality and integrity of data found at paragraphs 4.70; 4.71; 4.72; 4.73; and approved and tested contingency plans found at paragraphs 4.84; 4.85; and 4.86.	**Partially implemented** (as at December 14, 1999). Based on our audits of government organizations, there have been improvements in these areas. We will be updating the status of our study in 2002 and report on the results in a future report.
1996	**9.** The Government should use consistent estimates for COLA (Cost of Living Adjustments) increases and inflation to calculate the pension liability for its defined benefit pension plans. On March 31, 2000, during review of Chapter 8 of our Spring 2000 Report, PAC considered and agreed that the Government should work towards using consistent estimates for inflation for all of its defined benefit plans.	**Partially implemented** (as at December 31, 2001). The Government's defined benefit based pension plans continue to not use consistent estimates for inflation to calculate their pension liabilities.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1996	**12.** The Department of Health and District Health Boards work together over the next few years to improve needs assessment processes and address those concerns raised by the Provincial Auditor.	**Partially implemented** (as at March 31, 2001). District Health Boards are working on needs assessments. However, they still need help from the Department and others to: plan for needs assessment over the long-term; to collect and compare key information at all levels and report information that forms a provincial health picture; and analyse health status information and health needs to set priorities for action in their District.
1996	**13.** The District Health Boards (DHBs) cited need improvement in overseeing senior management and the Department of Health should work towards improving internal reporting to ensure that adequate and timely internal reports are prepared for their board.	**Partially implemented** (as at March 31, 2001). The majority of Boards now receive accurate and complete internal financial reports which include costs of services and activities. However, the Boards need to improve how they set direction and monitor the Districts' performance.
1996	PAC concurs: 9C.21 DHBs' management should recommend, for board of director approval, proper rules and procedures to safeguard and control their assets.	**Partially implemented** (as at March 31, 2001). The majority of Boards have approved proper rules and procedures. However, there are still a number of Boards that have not approved proper rules and procedures to safeguard and control their assets.
1996	PAC concurs: 9.51 Management of DHBs should establish and the directors should approve written policies and procedures to govern: ♦ the proper authorization and recording of transactions; and ♦ preparation of monthly financial reports.	**Partially implemented** (as at March 31, 2001). The majority of Boards have approved rules and procedures to govern the authorization and recording of transactions and the preparation of monthly financial statements. However, there are still a few Boards that have not approved these rules and procedures.
1996	PAC concurs: 9C.64 DHBs should establish written rules and procedures for systems development.	**Partially implemented** (as at March 31, 2001). The majority of Boards have established written rules and procedures for systems development. However, there are still a number of Boards that have not.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1996	PAC concurs: 9C.70 DHBs should have adequate operating agreements with each organization that provides services on behalf of the DHBs.	**Implemented in all but one Board** (as at March 31, 2001). We found one Board did not have adequate operating agreements.
1996	PAC concurs: 9C.91 DHBs should request the Minister's approval before purchasing hospital equipment costing more than the prescribed limit.	**Partially implemented** (as at March 31, 2001). Most Boards have requested the Minister's approval before purchasing hospital equipment. However, there are still several Boards that have not.
1996	PAC concurs: 9C.94 DHBs should submit their budgets to the Minister on time.	**Partially implemented** (as at March 31, 2001). Almost all Boards submit their budgets to the Minister on time.
1996	PAC concurs: 9C.136 DHBs should work with the Department, other DHBs and our Office to ensure DHBs are able to provide the Minister and the public the full range of required information.	**Partially implemented** (as at March 31, 2001). Districts have started to give more information to the Minister and the public. However, the information provided does not meet the full range of requirements in *The Health Districts Act*.
1996	**15.** The Department of Health consult with the District Health Boards on the issue of preparing lists of payees and the Government report the results of the consultation to the Standing Committee on Public Accounts.	**Partially implemented** (as at March 31, 2001). The Department has not provided a report to the Committee. Most Boards have prepared and published a list of their payees. However, some have not.
Second Report of PAC – 23rd Legislature – tabled April 22, 1997		
1997	PAC concurs: O.1 The Department (of Social Services) should provide workers with complete written guidance to carry out, record and revise case plans.	**Partially implemented** (as at March 31, 2001). The Department has considered and is continuing to consider our recommendations in its redesign and implementation of its social assistance programs.
1997	PAC concurs: O.2 The Department (of Social Services) should establish clear criteria to identify clients most likely to benefit from case planning.	**Partially implemented** (as at March 31, 2001). See O.1 above.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1997	PAC concurs: O.3 The Department (of Social Services) should provide a system that helps workers consistently record current case planning information and progress toward client goals.	**Partially implemented** (as at March 31, 2001). See O.1 above
1997	PAC concurs: O.4 When a system that captures the necessary information and consistently records case plans is in place, the Department (of Social Services) should evaluate the effects of case planning.	**Partially implemented** (as at March 31, 2001). See O.1 above
1997	**31.** Executive Council provide clarification as to the legislative powers of Crown corporation subsidiary companies, with respect to the selling of real property with a sale price exceeding $150,000.	**Not implemented** (as at March 31, 2002)
1997	PAC concurs: 8.33 The Department (of Health) should work with the DHBs to ensure they submit timely Health Plans.	**Partially implemented** (as at March 31, 2001). Almost all DHB's submit timely Health Plans.
1997	**34.** The Department of Health should work with District Health Boards to ensure the District Health Boards submit all periodic reports on time.	**Partially implemented** (as at March 31, 2001). The Department has issued guidelines to the districts and we note the districts have improved the timing and quality of their quarterly financial reports. In our 2001 Fall Report – Volume 2, we note districts' annual reports did not adequately show program performance compared to plans.
1997	**36.** The Deputy Minister of Health should approve in writing the rules and procedures for internal financial reports.	**Not implemented** (as at March 31, 2001).

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1997	PAC concurs: 8.112 In its annual report to the Legislative Assembly, the Department (of Health) should provide a summary of its financial and operational plan, performance targets, and actual results. This summary should include DHB plans, targets and results.	**Partially implemented** (as at March 31, 2001). In our 2001 Fall Report – Volume 2, we note the Department improved the quality of its *1999 Annual Report*. Our review of its annual report showed it sets out its key risks and how risks are managed. It does not include performance targets for the Department. It does not show what the Department owns and controls.
1997	PAC concurs: 8.113 The Department (of Health) should also work towards providing the Assembly summary information on the costs of DHB services, the health status of residents, and the effectiveness of DHB programs.	**Partially implemented** (as at March 31, 2001). The Department's *2001 Annual Report* shows the costs of DHB services but does not show the health status of residents or the effectiveness of DHB programs.
1997	PAC concurs: 20.63 Saskatchewan Archives Board should have written contracts with the U of S and SPMC.	**Partially implemented** (as at March 31, 2001). The Saskatchewan Archives Board has obtained an agreement with SPMC but not the U of S.
Third Report of PAC – 23rd Legislature – tabled April 19, 1999		
1999	**43.** The Department of Finance should pay allowances to surviving spouses as required by the members of *The Legislative Assembly Superannuation Act, 1979* or seek changes to the Act to allow these payments.	**Not implemented** (as at March 31, 2002).
1999	**44.** The Department of Finance should seek changes to *The Members of the Legislative Assembly Superannuation Act, 1979*, to provide direction for the handling of profits or losses from annuity underwriting.	**Not implemented** (as at March 31, 2002).

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1999	PAC concurs: 10.29 Pension plans' statements of investment objectives should include a clear assessment of the risk level acceptable to plan members and the Government. Pension plans' investment objectives should be based on the risk level acceptable to plan members and the Government.	**Partially implemented** (as at December 31, 2001). Pension plans' statements of investment objectives continue to generally improve.
1999	PAC concurs: 10.63 The Government should continue to improve the content of its pension plans' annual reports.	**Partially implemented** (as at December 31, 1999). Pension plans continue to improve the content of their annual reports but more work is needed. We plan to review the progress pension plans have made in improving their annual reports in 2002-2003.
1999	PAC concurs: 10.67 The Government should study the legislation for its pension plans to decide what type of information should be provided in annual reports and whether it is appropriate for that information to be more consistent. If more consistency in the type of information is not considered appropriate, the Government should explain why.	**Not implemented** (as at December 31, 1999). We will review pension plans' annual reports in 2002-2003.
1999	PAC concurs: 23.16 District Health Boards should set clear direction based on priority health needs in the context of other pressures on the district. The direction set should include goals, specific objectives and performance targets for short and long-term improvements in population health as well as health service needs.	**Partially implemented** (as at March 31, 2001). Districts are working to set clear direction through goals, objectives, and measures. Few Districts have set performance targets.
1999	PAC concurs: 24.92 The directors [of Board of Governors, Uranium City Hospital], with the help of senior management, should define and document their periodic financial reporting requirements to ensure they receive suitable and timely reports for decision-making.	**Not implemented** (as at March 31, 2001).

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
	24.93 The [Board of Governors, Uranium City] Hospital should improve its internal financial reports to include: - a full set of financial statements including reports that show what the Board owns and what it owes, and its revenues and its expenditures; - a comparison of actual results for the period to budgeted results for the period using the accrual basis of accounting; - an explanation of major variances between year-to-date actual and year-to-date budget; - a projection of revenue and expenses to the end of the year based on current information; and actual amounts of the prior year for comparison purposes. 24.94 The [Board of Governors, Uranium City Hospital] Hospital should establish a process to ensure the accuracy and reliability of its accounting records.	
1999	PAC concurs: 11.62 The [Regional] Colleges' internal reports should show the cost of services and activities, whether the services provided achieved the intended outcomes, and the degree of compliance with the law and other authorities.	**Partially implemented** (as at June 30, 2001). The Regional Colleges continue to make progress on improving performance measurement and reporting. The Colleges continue to work on identifying key performance measures and developing systems to track information on them in conjunction with the Department.
1999	**59.** In consideration of the recommendation made at paragraphs 18.21, 18.22, 18.23 and 18.24, concerning the reporting responsibilities and expectations the Department of Education has for school divisions under Section 282 of the *Education Act, 1995*, your Committee recommends the following to the Legislative Assembly: The Department of Education should continue working with the locally elected school boards and other stakeholders to improve public accountability of school divisions with respect to the goals of education.	**Not implemented** (as at March 31, 2002). The Department is working with school divisions to improve public accountability with respect to the goals of education.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1999	**60.** The Department should require school divisions to prepare their financial statements following the standards recommended by the [The Institute Chartered of Accountants] CICA.	**Partially implemented** (as at March 31, 2002). The Department continues to work with the Saskatchewan Association of School Business Officers in implementing a new manual. This manual requires school divisions to prepare its financial statements following CICA generally accepted accounting principles.
1999	**61.** Your committee concurs with recommendation 3-3, and recommends to the Legislative Assembly the following: The Department of Education should continue to improve the contents of its annual reports.	**Not implemented** (as at March 31, 2002).
1999	PAC concurs: 14.21 The Department [of Environment & Resource Management] should define and document its operational and compliance reporting requirements.	**Not implemented** (as at March 31, 2001).
1999	PAC concurs: 14.22 The Department [of Environment & Resource Management] should follow its established rules and procedures for preparing all of its internal financial reports.	**Partially implemented** (as at March 31, 2001). During 1999-2000, the Department implemented a new financial management system to help prepare internal financial reports that are consistent with its established rules and procedures. The Department has also undertaken a project to improve its budgeting and forecasting model.
1999	PAC concurs: 14.29 The Department [of Environment & Resource Management] should keep complete records of its capital assets. The Department [of Environment & Resource Management] should also: - periodically reconcile its capital assets records to its financial records; - determine if the risk of loss of its capital assets is at an acceptable level; and - include information about its capital assets in its annual report.	**Partially implemented** (as at March 31, 2001). During 2000-2001, the Department reconciled capital asset additions in its capital asset records to its financial records. The Department now provides information about its capital asset purchases in its 2000-2001 annual report. The Department also inspected a sample of capital assets to ensure the Department's records are complete. It also inspected a sample of capital assets from its records to ensure that the items existed. However, these procedures were not sufficient to ensure the capital asset records agreed to the financial records.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1999	PAC concurs: **64.** The Electoral Office should issue directives requiring political parties' auditors to submit audit reports to the Electoral Office that indicate whether all contributions received and all expenses incurred by the political parties are reported in their returns; and requiring candidates to use specific procedures to receive and disburse money and to submit audit reports to the Electoral Office that indicate whether candidates have complied with those procedures.	**Not implemented** (as at March 31, 2002).
1999	PAC concurs: 21.28 The Department [of Justice] should base its contingency plan on an analysis of the risks and the importance of each program and service. 21.29 The Department [of Justice] should test and approve its contingency plan and then store it in a safe place.	**Not implemented** (as at March 31, 2001).
1999	PAC concurs: 7-1 We recommend the Department [of Justice] should improve its procedures for ensuring the accuracy and integrity of its court information system.	**Not implemented** (as at March 31, 2001).
1999	**65.** That the Department of Justice should review its procedures for collecting fines and further, that procedures be developed to ensure that when repeat offenders appear in court, the sentencing Judge will be informed if previous fines are unpaid.	**Partially implemented** (as at March 31, 2001). The Department has reviewed its procedures and has decided it is not practical to ensure that when repeat offenders appear in court, the sentencing Judge will be informed if previous fines are unpaid.
1999	PAC concurs: 14.1 We recommend that the Department of Labour should continue to improve its annual report.	**Not implemented** (as at March 31, 2001).
1999	**67.** In consideration of recommendation 10-2, concerning the inability of the Auditor's office to discharge its duty with	**Not implemented** (as at March 31, 2002). Legislation has not been amended. However, since December 2000, we have

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
	respect to the First Nations Fund, your committee noted that there had been no progress towards resolution of this issue since it was first raised in Chapter 9 of the Spring 1998 Report of the Provincial Auditors (see above). After careful consideration of the issues surrounding this dispute, your Committee came to the conclusion that legislative changes are necessary. Therefore, you Committee recommends the following to the Legislative Assembly: That the Public Accounts Committee recommend that Legislation be amended to clarify the responsibilities of the trustees of the First Nations Fund and to have the fund audited in accordance with the requirements of the Provincial Auditor.	been receiving full access to the Fund's accounts and the appointed auditor's files.
1999	**68.** The Department of Post-secondary Education and Skills Training should verify critical information on student loan applications.	**Partially implemented** (as at March 31, 2002). The Department has improved its procedures for verifying some of the critical information on student loan applications. However, the Department needs to improve how it verifies other critical information on student loan applications.
1999	**70.** The Department of Post-Secondary Education and Skills Training bring its planning efforts that focus on individual components of the Post-Secondary sector together to form a plan for the entire sector, then report publicly against this sector-wide plan.	**Partially implemented** (as at March 20, 2002). The Department has prepared a sector strategic plan. It expects to report publicly against the plan subject to Cabinet approval.
1999	**71.** The Department of Post-Secondary Education and Skills Training should continue to improve its annual report.	**Partially implemented** (as at March 20, 2002). The Department's 2001 Annual Report incorporates clearer objectives and some performance measures.
1999	PAC concurs: 15-1 We recommend the [Public Service Commission] PSC continue to improve its annual report.	**Partially implemented** (as at March 31, 2000). At this date, PSC does not yet report on its outcomes achieved.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1999	PAC concurs: 9-2 We continue to recommend the [Saskatchewan Liquor and Gaming] Authority should update its written contingency plan and test the plan.	**Partially implemented** (as at March 31, 2001). Since 1999-2000, Saskatchewan Liquor and Gaming Authority has made progress in updating its contingency plan but further updates are required and it needs to test its plan.
1999	PAC concurs: 9-3 We continue to recommend the [Saskatchewan Liquor and Gaming] Authority should fully document its rules and procedures for its computer systems operations and ensure staff understand those rules and procedures.	**Partially implemented** (as at March 31, 2001). Since 1999-2000, Saskatchewan Liquor and Gaming Authority still has not fully documented its computer procedures and rules and taken steps to ensure staff understand those rules and procedures.
1999	PAC concurs: 22.48 In its annual report to the Legislative Assembly, the Department [of Social Services] should describe how the Department manages the key issues it faces.	**Not implemented** (as at March 31, 2001).
1999	PAC concurs: 22.49 The annual report should provide a summary of the Department's [of Social Services] financial and operational plans, performance targets, and actual results.	**Not implemented** (as at March 31, 2001).
1999	PAC concurs: 8-1 We recommend the Department [of Social Services] should improve its records and document its procedures to ensure single parents receiving social assistance pursue child support.	**Not implemented** (as at March 31, 2001).
1999	PAC concurs: 8-3 We recommend that the Department [of Social Services] should ensure that community based organizations (CBOs) submit financial reports to the Department and submit them on time as required.	**Partially implemented** (as at March 31, 2001). Several CBOs still do not submit financial reports to the Department on time as required.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1999	PAC concurs: 2.22 The [Workers' Compensation Board] WCB should continue to improve its published annual report by including: clear measurable objectives; a comparison of key performance indicators and targets to its actual results; and a discussion and analysis of its success to date in achieving its goals and objectives.	**Not implemented** (as at December 31, 2000). We plan to review WCB's 2000 annual report in 2001-2002.

Appendix 1

NOTE:

All persons making use of this consolidation are reminded that it has no legislative sanction, that the amendments have been embodied only for convenience of reference and that the original statutes and regulations should be consulted for all purposes of interpretation and application of the law. Please note, however, that in order to preserve the integrity of the original statutes and regulations, errors that may have appeared are reproduced in this consolidation.

The Provincial Auditor Act

SHORT TITLE AND INTERPRETATION

Short Title

1 This Act may be cited as *The Provincial Auditor Act*.

Interpretation

2 In this Act:

(a) **"acting provincial auditor"** means the acting provincial auditor appointed pursuant to section 5;

(a.1) **"appointed auditor"** means an auditor appointed pursuant to an Act or other authority by the Lieutenant Governor in Council or another body to examine the accounts of a Crown agency or Crown-controlled corporation or accounts otherwise related to public money;

(b) **"audit"** means an audit or examination of accounts of public money that may be made by the provincial auditor pursuant to this Act;

(c) **"Crown"** means Her Majesty the Queen in right of Saskatchewan;

(d) **"Crown agency"** means an association, board, commission, corporation, council, foundation, institution, organization or other body, whether incorporated or unincorporated, all the members of which or all of the board of management or board of directors of which:

(i) are appointed by an Act or by the Lieutenant Governor in Council; or

(ii) are, in the discharge of their duties, public officers or servants of the Crown;

and includes a corporation that has at least 90% of its issued and outstanding voting shares vested in the Crown;

(e) **"Crown-controlled corporation"** means a corporation that is not a Crown agency and that has less than 90% and more than 50% of its issued and outstanding voting shares vested in the Crown;

(f) **"fiscal year"** means the period commencing on April 1 in one year and ending on March 31 in the next year;

(g) **"provincial auditor"** means the Provincial Auditor for Saskatchewan appointed pursuant to section 3.1;

(g.1) **"public accounts committee"** means the Standing Committee of the Legislative Assembly on Public Accounts;

(h) **"public money"** means all revenues and public moneys from whatever source arising, whether the revenues and moneys:

(i) belong to the Government of Saskatchewan; or

(ii) are collected or held by officers of the departments of the Government of Saskatchewan or Crown agencies for, on account of or in trust for the Government of Canada or the government of any other province or for any other party or person;

and includes public property;

(i) **"public property"** means property held or administered by the Crown;

(j) **"Speaker"** means the member of the Legislative Assembly elected as Speaker in accordance with *The Legislative Assembly and Executive Council Act*.

1983, c.P-30.01, s.2; 1986-87-88, c.26, s.4; 2001, c.32, s.3.

APPOINTMENT AND OFFICE

Provincial Auditor for Saskatchewan

3(1) The office of Provincial Auditor for Saskatchewan is established.

(2) The provincial auditor is an officer of the Legislative Assembly.

2001, c.32, s.4.

Appointment of provincial auditor

3.1(1) On the unanimous recommendation of the public accounts committee, the Legislative Assembly shall, by resolution, appoint a provincial auditor.

(2) The provincial auditor holds office for a term of 10 years from the date of his or her appointment unless, before that term expires, he or she:

(a) resigns or is suspended or removed from office pursuant to section 3.2; or

(b) attains the normal date of retirement for employees of the public service of Saskatchewan.

(3) The provincial auditor may apply for a second or subsequent term.

2001, c.32, s.4.

Resignation, removal of provincial auditor

3.2(1) The provincial auditor may resign the office at any time by giving written notice:

(a) to the Speaker; or

(b) if there is no Speaker or if the Speaker is absent from Saskatchewan, to the President of the Executive Council.

(2) The Legislative Assembly may, by resolution, suspend or remove the provincial auditor from office for cause.

2001, c.32, s.4.

Salary of the provincial auditor

4(1) Subject to subsections (2) and (3), the provincial auditor is to be paid a salary equal to the average salary of all the deputy ministers and acting deputy ministers of the Government of Saskatchewan calculated as at April 1 in each year.

(2) Any benefits or payments that may be characterized as deferred income, retirement allowances, separation allowances, severance allowances or payments in lieu of notice are not to be included in calculating the average salary of all the deputy ministers and acting deputy ministers pursuant to subsection (1).

(3) Where, as a result of a calculation made pursuant to subsection (1), the salary of a provincial auditor would be less than that provincial auditor's previous salary, the provincial auditor is to be paid not less than his or her previous salary.

(4) The provincial auditor is entitled to receive any privileges of office and economic adjustments that are provided generally to deputy ministers.

(5) The salary of the provincial auditor shall be paid out of the general revenue fund.

2001, c.32, s.5.

Acting provincial auditor

5(1) The provincial auditor may appoint an employee of his office as acting provincial auditor.

(2) Where the position of provincial auditor is vacant and there is no acting provincial auditor, the Lieutenant Governor in Council may appoint a person as acting provincial auditor who is to hold office until an acting provincial auditor is appointed pursuant to subsection (1).

(3) Where the position of provincial auditor is vacant or the provincial auditor is absent or unable to perform his duties due to illness or other disability, the acting provincial auditor has all the powers and shall exercise all the duties of the provincial auditor.

1983, c.P-30.01, s.5.

Qualifications of provincial auditor, acting provincial auditor

6 No person is eligible to be appointed as provincial auditor or as acting provincial auditor unless he is a member in good standing of the Institute of Chartered Accountants of Saskatchewan.

1983, c.P-30.01, s.6.

Advisors, etc.

7 For the purposes of exercising any of the powers or carrying out any of the duties imposed upon him by this Act, the provincial auditor may engage the services of or retain any technical, professional or other advisers, specialists or consultants that he considers necessary.

1983, c.P-30.01, s.7; 2001, c.32, s.6.

Office of the provincial auditor

8(1) The provincial auditor may employ any persons that he considers necessary to assist him in carrying out his duties and fulfilling his responsibilities under this Act.

(2) Employees of the provincial auditor's office are employees of the Legislative Assembly and are not members of the public service of Saskatchewan.

(3) The employee benefits applicable to the public servants of Saskatchewan apply or continue to apply, as the case may be, to the provincial auditor and the employees of the provincial auditor's office.

(4) *The Public Service Superannuation Act*, *The Superannuation (Supplementary Provisions) Act* and *The Public Employees Pension Plan Act* apply to the provincial auditor and the employees of the provincial auditor's office, and all credits in any superannuation plan or fund established pursuant to those Acts for the provincial auditor and the employees of the provincial auditor's office and accumulated under those Acts, before the coming into force of this section, are preserved and continued in accordance with those Acts.

(5) The provincial auditor shall administer, manage and control the provincial auditor's office and the general business of the office and shall oversee and direct the staff of the office.

1983, c.P-30.01, s.8; 2001, c.32, s.7.

Confidentiality

9 The provincial auditor shall require every person employed in his or her office, and any person engaged or retained pursuant to section 7, who is to examine the accounts of a department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by, persons employed in that department, Crown agency or Crown-controlled corporation.

1983, c.P-30.01, s.9; 2001, c.32, s.8.

Delegation of authority

10 The provincial auditor may delegate to any member of the provincial auditor's office the authority to exercise any power or to perform any duty conferred on the provincial auditor pursuant to this Act, other than the duty to make:

(a) an annual report on operations pursuant to section 10.4;

(b) a business and financial plan pursuant to section 10.5;

(c) an annual report pursuant to section 12; or

(d) a special report to the Legislative Assembly.

2001, c.32, s.9.

Estimates

10.1(1) For each fiscal year, the provincial auditor shall present to the public accounts committee, in accordance with any instructions from the public accounts committee, estimates of the moneys that will be required to be provided by the Legislature for the expenses of the provincial auditor's office, including an amount for unforeseen expenses.

(2) On receipt of the estimates pursuant to subsection (1), the public accounts committee:

(a) shall review the estimates; and

(b) may make any alterations to the estimates that the public accounts committee considers appropriate.

(3) After reviewing and making any alterations to the estimates pursuant to subsection (2), the public accounts committee shall approve the estimates.

(4) After approving the estimates pursuant to subsection (3), the chairperson of the public accounts committee shall submit the estimates to the Speaker and to the Board of Internal Economy.

(5) The Speaker shall cause the estimates submitted pursuant to subsection (4) to be laid before the Legislative Assembly.

(6) Notwithstanding subsections (1) to (5), if a public accounts committee has not been appointed by a date to allow the Speaker to cause the estimates of the provincial auditor for a fiscal year to be laid before the Legislative Assembly pursuant to subsections (1) to (5), the Speaker shall cause the estimates of the provincial auditor for the previous fiscal year to be laid before the Legislative Assembly.

(7) The Legislative Assembly may refer the estimates laid before it pursuant to subsection (5) or (6) to a Standing Committee of the Legislative Assembly.

(8) Where the estimates are not referred to a Standing Committee of the Legislative Assembly, the estimates are to be considered in the Committee of Finance and defended by a member of the Executive Council who is designated by the President of the Executive Council.

(9) *The Tabling of Documents Act, 1991* does not apply to the estimates required to be prepared by the provincial auditor pursuant to this section.

2001, c.32, s.9.

Unprovided for or unforeseen expenses

10.2(1) For the purposes of this section, the Legislature is not in session where it:

(a) is prorogued; or

(b) is adjourned for an indefinite period or to a day more than seven days after the Lieutenant Governor in Council made the order directing the preparation of the special warrant pursuant to this section.

(2) If the Legislature is not in session, the provincial auditor may report to the public accounts committee that:

(a) a matter has arisen with respect to the administration of this Act respecting an expense required by the provincial auditor's office that was not foreseen or provided for, or was insufficiently provided for; and

(b) the provincial auditor is of the opinion that there is no appropriation for the expense or that the appropriation is exhausted or insufficient and that the expense is urgently and immediately required for the public good.

(3) On receipt of a report of the provincial auditor pursuant to subsection (2), the public accounts committee:

(a) shall review the report and make any alterations to the funding request in the report that the public accounts committee considers appropriate; and

(b) may recommend to the Minister of Finance that a special warrant be issued authorizing the expense in the amount the public accounts committee determines to be appropriate.

(4) On receipt of a recommendation of the public accounts committee pursuant to subsection (3), the Minister of Finance shall recommend to the Lieutenant Governor in Council that a special warrant be issued authorizing the expense in the amount recommended by the public accounts committee.

(5) On receipt of a recommendation of the Minister of Finance pursuant to subsection (4), the Lieutenant Governor in Council may order a special warrant to be prepared for the signature of the Lieutenant Governor authorizing the expense in the amount recommended by the public accounts committee.

(6) For the purposes of *The Financial Administration Act, 1993* and of this Act, a special warrant issued pursuant to subsections (1) to (5) is deemed to be a special warrant issued pursuant to section 14 of *The Financial Administration Act, 1993*, and that Act applies to a special warrant issued pursuant to those subsections as if it were issued pursuant to section 14 of that Act.

(7) Notwithstanding subsections (1) to (6), the provincial auditor may request that the Minister of Finance recommend that a special warrant be issued pursuant to section 14 of *The Financial Administration Act, 1993* if:

(a) a public accounts committee has not been appointed; and

(b) the provincial auditor reports that the conditions mentioned in clauses (2)(a) and (b) are met.

2001, c.32, s.9.

Expenses limited to appropriation

10.3(1) In this section, **"appropriation"** means:

(a) an appropriation for the expenses of the provincial auditor's office made by an *Appropriation Act*;

(b) an appropriation by special warrant issued pursuant to section 10.2; and

(c) any other amount that is permitted or directed to be paid out of the general revenue fund pursuant to this or any other Act for the expenses of the provincial auditor's office.

(2) The provincial auditor shall not incur expenses for a fiscal year in excess of the appropriation for that fiscal year.

(3) The Minister of Finance shall pay to the provincial auditor out of the general revenue fund the appropriation for a fiscal year in the amounts and at the times requested by the provincial auditor.

(4) Where the amounts paid to the provincial auditor pursuant to subsection (3) on account of an appropriation for a fiscal year exceed the expenses of the provincial auditor's office for that fiscal year, the provincial auditor shall repay the excess to the Minister of Finance as soon as is practicable after the end of the fiscal year, and the Minister of Finance shall deposit any amounts received pursuant to this subsection in the general revenue fund.

2001, c.32, s.9.

Annual report on operations

10.4(1) In each fiscal year, the provincial auditor shall prepare and submit to the Speaker an annual report on operations that is to consist of the following:

(a) a report on the operations of the provincial auditor's office for the preceding fiscal year;

(b) the audited financial statement for the provincial auditor's office showing the results of its operations for the preceding fiscal year.

(2) The provincial auditor shall submit the annual report on operations mentioned in subsection (1) within 120 days after the end of the fiscal year to which the annual report on operations relates.

2001, c.32, s.9.

Business and financial plan

10.5 Prior to the beginning of each fiscal year, by a date that may be required by the public accounts committee, the provincial auditor shall prepare and submit to the Speaker a business and financial plan for the provincial auditor's office showing its planned operations and its planned revenues and expenses for the fiscal year

2001, c.32, s.9.

DUTIES AND POWERS

Examination of accounts

11(1) The provincial auditor is the auditor of the accounts of the government of Saskatchewan and shall examine all accounts related to public money and any accounts not related to public money that he is required by an Act to examine, and shall determine whether, in his opinion:

(a) the accounts have been faithfully and properly kept;

(b) public money has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;

(c) public money expended has been applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and

(d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.

(2) An appointed auditor is subject to the examination responsibilities prescribed in clauses (1)(a) to (d).

(3) For the purposes of this section, where an auditor, including an appointed auditor, is required to examine accounts and render an opinion on those accounts, he shall do so in accordance with generally accepted auditing standards as prescribed from time to time by the Canadian Institute of Chartered Accountants.

1986-87-88, c.26, s.6.

Reliance on report of appointed auditor

11.1(1) In the fulfilment of his responsibilities as the auditor of the accounts of the Government of Saskatchewan, the provincial auditor may rely on the report of the appointed auditor of a Crown agency or Crown-controlled corporation if he is satisfied that the appointed auditor has carried out his responsibilities pursuant to section 11 with respect to that Crown agency or Crown-controlled corporation.

(2) The provincial auditor may only rely on the report of an appointed auditor of a Crown agency or the appointed auditor of a Crown-controlled corporation if the appointed auditor:

(a) is a member in good standing of a recognized accounting profession that is regulated by an Act; and

(b) is not employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.

(3) Where the provincial auditor determines pursuant to subsection (1) or (2) that he or she is unable to rely on the report of the appointed auditor with respect to a Crown agency or Crown-controlled corporation, the provincial auditor shall conduct additional audit work with respect to the accounts of that Crown agency or Crown-controlled corporation.

(4) Where the provincial auditor has conducted additional audit work on the accounts of a Crown agency or Crown-controlled corporation pursuant to subsection (3), the provincial auditor shall report in his or her annual report pursuant to this section:

(a) the reason that the provincial auditor was unable to rely on the report of the appointed auditor of the Crown agency or Crown-controlled corporation;

(b) the nature of the additional audit work the provincial auditor conducted; and

(c) the results of the additional audit work.

1986-87-88, c.26, s.6; 2001, c.32, s.10.

Annual Report

12(1) At the end of each fiscal year, the provincial auditor and every appointed auditor shall prepare a report on the results of all examinations that they have conducted of departments of the Government of Saskatchewan, Crown agencies and Crown-controlled corporations during that year giving details of any reservation of opinion made in an audit report, and shall identify any instances they consider to be of significance and of a nature that should be brought to the attention of the Legislative Assembly, including any cases in which they observe:

(a) any officer or employee of a department of the Government of Saskatchewan or Crown agency has wilfully or negligently omitted to collect or receive any public money belonging to the Crown;

(b) any public money was not duly accounted for and paid into the appropriate fund;

(c) any appropriation was exceeded or was applied to a purpose or in a manner not authorized by the Legislature;

(d) an expenditure was made for which there was no authority or which was not properly vouchered or certified;

(e) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person;

(f) a special warrant authorized the payment of public money; or

(g) essential records were not maintained or the rules and procedures applied were not sufficient:

(i) to safeguard and control public money;

(ii) to effectively check the assessment, collection and proper allocation of public money; or

(iii) to ensure that expenditures were made only as authorized.

(1.1) On completion of any examination of the accounts of a Crown agency or Crown-controlled corporation, an appointed auditor shall submit to the provincial auditor the report prepared pursuant to subsection (1) with respect to that Crown agency or Crown-controlled corporation.

(1.2) At the end of each fiscal year, the provincial auditor shall compile the reports submitted to him by appointed auditors pursuant to subsection (1.1) and shall submit them together with his report prepared pursuant to this section in the form of an annual report to the Legislative Assembly.

(2) In the annual return made pursuant to subsection (1), the provincial auditor may:

(a) report on the work of his office and on whether, in carrying on the work of his office, he received all the information, reports and explanations he required from departments of the Government of Saskatchewan, Crown agencies or Crown-controlled corporations or their auditors; and

(b) comment on the financial statements of any department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation of which he is the auditor.

(3) Notwithstanding subsection (1), neither the provincial auditor nor any appointed auditor is required to report to the Legislative Assembly on any matter that he considers immaterial or insignificant.

1983, c.P-30.01, s.12; 1986-87-88, c.26, s.7.

Special report

13 The provincial auditor may prepare a special report to the Legislative Assembly on any matter that is, in his opinion, important or urgent.

1983, c.P-30.01, s.13.

Submission of provincial auditor's reports

14 Notwithstanding *The Tabling of Documents Act, 1991*, the provincial auditor shall submit to the Speaker, as soon as is practicable:

(a) the annual report prepared pursuant to section 12; and

(b) any special report that is prepared by the provincial auditor pursuant to section 13.

2001, c.32, s.11.

Tabling of reports

14.1(1) In this section, **"report"** means:

(a) an annual report on the operations of the provincial auditor's office that is submitted to the Speaker pursuant to section 10.4;

(b) a business and financial plan for the provincial auditor's office that is submitted to the Speaker pursuant to section 10.5;

(c) an annual report prepared pursuant to section 12 that is submitted to the Speaker pursuant to section 14;

(d) any special report that is prepared by the provincial auditor pursuant to section 13 that is submitted to the Speaker pursuant to section 14; or

(e) a report of the auditor of the accounts of the provincial auditor's office that is submitted to the Speaker pursuant to section 27.

(2) The Speaker shall lay before the Legislative Assembly each report received by the Speaker as soon as is practicable after it is received.

(3) If the Legislative Assembly is not in session when the Speaker receives a report, the Speaker shall submit the report to the Clerk of the Legislative Assembly.

(4) When the Clerk of the Legislative Assembly receives a report pursuant to subsection (3), the Clerk shall, as soon as possible:

(a) subject to subsection (5), cause a copy of the report to be delivered to each member of the Legislative Assembly; and

(b) make the report available for public inspection during normal business hours of the Clerk of the Legislative Assembly.

(5) The requirement in subsection (4) to deliver a copy of a report to the members of the Legislative Assembly does not apply in the period that:

(a) commences on the day a Legislative Assembly is dissolved; and

(b) ends on the day fixed for making the return to the writ for the general election held pursuant to *The Election Act, 1996* that follows the dissolution mentioned in clause (a).

(6) If a report is submitted to the Clerk of the Legislative Assembly in accordance with subsection (3), the report is deemed to have been laid before the Assembly.

(7) Where a report is laid before the Legislative Assembly pursuant to subsection (2) or is deemed to be laid before the Legislative Assembly pursuant to subsection (6), the report is deemed to be referred to the public accounts committee.

(8) Notwithstanding subsection (7), where a report or part of a report mentioned in subsection (7) deals with a matter that relates to the Crown Investments Corporation of Saskatchewan or a subsidiary Crown corporation within the meaning of *The Crown Corporations Act, 1993*, the report or part of the report is deemed to be referred to the Standing Committee of the Legislative Assembly on Crown Corporations.

2001, c.32, s.11.

Certification of Statements

15(1) The provincial auditor or the appointed auditor, as the case may be, shall express an opinion, in accordance with the outcome of his examinations, on the financial statements of:

(a) any funds that he is required to audit pursuant to subsection 11(1);

(b) Crown agencies;

(c) Crown-controlled corporations; and

(d) accounts not related to public money that are, by an Act, required to be examined by him.

(2) Notwithstanding any other provision of this Act, the provincial auditor is not required to audit or report on the financial statements of a Crown agency or Crown-controlled corporation for which there is an appointed auditor.

1983, c.P-30.01, s.15; 1986-87-88, c.26, s.9.

Special assignments

16(1) Where:

(a) the Legislative Assembly or the Standing Committee of the Legislative Assembly on Public Accounts:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor shall perform the special assignment.

(2) Notwithstanding *The Tabling of Documents Act*:

(a) the provincial auditor shall submit to the Speaker, as soon as is practicable, the report of any special assignment prepared pursuant to subsection (1) on the request of the Legislative Assembly; and

(b) the Speaker shall, as soon as is practicable, lay before the Legislative Assembly each report received by him pursuant to clause (a).

(3) The provincial auditor shall submit to the Clerk of the Assembly a special report prepared pursuant to subsection (1) on the request of the Standing Committee of the Legislative Assembly on Public Accounts, and the clerk shall make the special report available to the members of that committee.

(4) Where:

(a) the Lieutenant Governor in Council:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor may perform the special assignment.

(5) The provincial auditor shall submit, as soon as is practicable, a special report prepared pursuant to subsection (4) to the Lieutenant Governor in Council.

1983, c.P-30.01, s.16.

Improper retention of public money

17 Whenever, in the opinion of the provincial auditor or another auditor who is appointed to undertake an audit of Crown agencies or Crown-controlled corporations, any public money or revenues or money collected or held by employees of Crown-controlled corporations have been improperly retained by any person, the provincial auditor or the other auditor, as the case may be, shall immediately report the circumstances of that case to the member of the Executive Council who is responsible for the department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation and the Minister of Finance.

1983, c.P-30.01, s.17.

Cancelled securities

18 The provincial auditor shall:

(a) cause to be examined debentures and other securities of the Government of Saskatchewan that have been redeemed;

(b) assure himself or herself that the securities described in clause (a) have been properly cancelled;

(c) at any time and to any extent that the Minister of Finance may require, participate in the destruction of any redeemed or cancelled securities or unissued reserves of securities; and

(d) at any time that he or she is requested to do so by the Minister of Finance, participate in audit assignments in connection with the filing of a prospectus and registration material required for the issuance and sale of securities of the Government of Saskatchewan.

1983, c.P-30.01, s.18; 2001, c.32, s.12.

Attendance before Public Accounts Committee

19 On the request of the Standing Committee of the Legislative Assembly on Public Accounts, the provincial auditor and any member of his office shall attend meetings of that committee to assist that committee:

(a) in planning the agenda for its review of the public accounts, the annual report of the provincial auditor, a special report prepared pursuant to section 13 or a report prepared pursuant to subsection 16(1) on the request of the committee; and

(b) during its review of the items described in clause (a).

1983, c.P-30.01, s.19.

AUDIT COMMITTEE

Audit committee

20(1) In this section and in sections 21 to 23, **"audit committee"** means the audit committee established pursuant to subsection (2).

(2) An audit committee is established.

(3) The audit committee is to consist of not more than five persons appointed by the Speaker on the unanimous recommendation of the public accounts committee.

(4) A recommendation of the public accounts committee pursuant to subsection (3) is to be made only after the public accounts committee has consulted with the Standing Committee of the Legislative Assembly on Crown Corporations.

(5) The following persons are not eligible to be a member of the audit committee:

(a) a Member of the Legislative Assembly;

(b) an appointed auditor;

(c) an employee of the Government of Saskatchewan, of a Crown agency, of a Crown-controlled corporation or of the provincial auditor's office.

(6) The Speaker shall designate as chairperson the member of the audit committee unanimously recommended by the public accounts committee.

(7) The audit committee may determine its rules of procedure.

(8) All expenses of the audit committee are to be paid out of the appropriation for the Legislative Assembly Office.

2001, c.32, s.13.

Functions of the audit committee

21(1) The public accounts committee may request the audit committee to assist it in undertaking the following:

(a) the recommending of a provincial auditor;

(b) the review of the estimates of the provincial auditor;

(c) the review of the annual report on operations of the provincial auditor;

(d) the review of any report of the provincial auditor prepared pursuant to section 12 or 13;

(e) any other matters that the public accounts committee may request.

(2) The provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations may request the audit committee to review any matter that, in the opinion of the provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations, as the case may be, should be considered by the audit committee.

2001, c.32, s.13.

Information to be provided to audit committee

22(1) The audit committee may request the provincial auditor and any officers or employees of the Government of Saskatchewan, a Crown agency or a Crown-controlled corporation to provide the audit committee with any information that the audit committee considers necessary to carry out its functions mentioned in section 21, and the provincial auditor and the officers or employees of the Government of Saskatchewan, the Crown agency or the Crown-controlled corporation may provide the information requested.

(2) The audit committee and each member of the audit committee:

(a) shall preserve secrecy with respect to all matters that come to their knowledge in the course of performing their functions pursuant to this Act; and

(b) shall not communicate those matters to any person, other than when required to do so in the performance of their functions pursuant to this Act.

2001, c.32, s.13.

Availability of reports

23(1) For the purpose of allowing the Minister of Finance to review and comment on the provincial auditor's annual report prepared pursuant to section 12, the provincial auditor shall submit the provincial auditor's annual report to the Minister of Finance at least 10 days before the provincial auditor causes the annual report to be printed for submission to the Speaker.

(2) The provincial auditor shall submit to the Minister of Finance any special report prepared pursuant to section 13 before the provincial auditor submits that special report to the Speaker.

2001, c.32, s.13.

GENERAL

Right to information, accommodation

24(1) The provincial auditor or the appointed auditor, as the case may be, is entitled:

(a) to free access, at all convenient times, to:

(i) all electronic data processing equipment and programs and documentation related to the electronic data processing equipment; and

(ii) all files, documents and other records relating to the accounts; of every department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person that he is required to examine or audit or, in the case of the provincial auditor, with respect to which he is examining pursuant to a special assignment; and

(b) to require and receive from employees of a department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person subject to examination or audit by him any information, reports and explanations that he considers necessary for the proper performance of his duties.

(2) The provincial auditor or an appointed auditor, as the case may be, may station in any department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or with any other person subject to examination or audit by him any employee of his office or advisor, specialist or consultant to enable him more effectively to carry out his duties, and the department, Crown agency, Crown-controlled corporation or other person subject to examination or audit shall provide the necessary office accommodation for the employee, advisor, specialist or consultant person so stationed.

1983, c.P-30.01, s.24; 1986-87-88, c.26, s.10.

Inquiries

25 The provincial auditor may examine any person on any matter relating to any account that is subject to an examination or audit by him, and, for the purposes of that examination, he may exercise all the powers of commissioners under *The Public Inquiries Act*.

1983, c.P-30.01, s.25.

Working papers

26 Neither the provincial auditor nor any appointed auditor is required to lay any audit working papers of his office before the Legislative Assembly or any committee of the Legislature.

1983, c.P-30.01, s.26; 1986-87-88, c.26, s.11.

Change in auditor

26.1 Where the auditor of a Crown agency or Crown-controlled corporation has been changed, the new auditor and the previous auditor shall deal with the transition in accordance with the rules of professional conduct as established from time to time by the Institute of Chartered Accountants of Saskatchewan.

1986-87-88, c.26, s.12.

Auditor of accounts of provincial auditor's office

27(1) On the recommendation of the public accounts committee, the Lieutenant Governor in Council shall appoint an accountant who meets the qualifications set out in subsection (2) to annually audit the accounts of the provincial auditor's office.

(2) For the purposes of subsection (1), the accountant appointed pursuant to this section:

(a) must be a member in good standing of a recognized accounting profession that is regulated by an Act; and

(b) must not be employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.

(3) The accountant appointed pursuant to subsection (1) has the same powers and shall perform the same duties in relation to an audit of the accounts of the provincial auditor's office that the provincial auditor has or performs in relation to an audit performed pursuant to this Act.

(4) The auditor of the accounts of the provincial auditor's office shall submit his or her report to the Speaker.

2001, c.32, s.14.

Fees

28(1) The provincial auditor may charge a reasonable fee for professional services provided by provincial auditor's office.

(2) All fees charged pursuant to subsection (1) and all other revenues received by the provincial auditor pursuant to this Act shall be deposited in the general revenue fund.

1983, c.P-30.01, s.28; 2001, c.32, s.15.

Limitation of liability

29 The provincial auditor, the employees in the provincial auditor's office and any adviser, specialist or consultant engaged or retained pursuant to section 7 are not liable in any action for any act done or not done or on any statement made by them in good faith in connection with any matter they are authorized or required to do under this Act.

1983, c.P-30.01, s.29; 2001, c.32, s.16.

Information confidential

30 The provincial auditor, any employee in the provincial auditor's office, an appointed auditor, any employee of an appointed auditor or any adviser, specialist or consultant engaged or retained pursuant to section 7:

(a) shall preserve secrecy with respect to all matters that come to his or her knowledge in the course of his or her employment or duties under this Act; and

(b) shall not communicate those matters to any person, other than when he or she is required to do so in connection with:

(i) the administration of this Act;

(ii) any proceedings under this Act; or

(iii) any proceedings in a court of law.

1983, c.P-30.01, s.30; 1986-87-88, c.26, s.13; 2001, c.32, s.17.

31 Repealed. 2001, c.32, s.18.

Appendix 1

Transitional

32(1) The person appointed on the day before the coming into force of this section as provincial auditor pursuant to *The Department of Financial Act*, as that Act existed on the day before the coming into force of this Act, is deemed to be appointed as provincial auditor pursuant to this Act.

(2) On the day this section comes into force, the members of the public service who are employed in the office of the provincial auditor cease to be employed in the public service and each such person becomes an employee of the office of the provincial auditor at a salary of not less than that he was receiving on the day before the day this section comes into force.

1983, c.P-30.01, s.32.

REGINA, SASKATCHEWAN
Printed by the authority of
THE QUEEN'S PRINTER

Appendix 2

List and status of organizations subject to an examination under *The Provincial Auditor Act*

Appendix 2 lists the departments, Crown agencies, Crown-controlled corporations, special purpose and trust funds, offices of the Legislative Assembly, and other organizations subject to an audit examination under *The Provincial Auditor Act* at December 31, 2001.

This Appendix includes the status of all of the audits at March 31, 2002. The Appendix also indicates whether we have significant issues to report and where these issues are reported.

Our goal is to report the results of our audits of organizations with March fiscal year-ends in our fall reports and organizations with December fiscal year-ends in our spring reports. We have not completed the audits at some agencies. In most cases, the audits have been delayed. However, in a few cases, we have not been given access to the necessary information to complete the audits. To ensure that we provide the Legislative Assembly and the public with timely reports, we do not delay our reports to accommodate delayed audits, but rather include their results in future reports.

Appendix 2

Agency	Year end on or before December 31, 2001	Status at March 31, 2002[1]	Significant issues reported[2]
Government of Saskatchewan – Summary Financial Statements	March 31	Complete	Yes/2001 Fall V1
Departments and Secretariats:			
Department of Agriculture and Food	March 31	Complete	Yes/2001 Fall V2
Department of Culture, Youth and Recreation	March 31	Complete	No
Department of Economic and Co-operative Development	March 31	Complete	No
Department of Education	March 31	Complete	Yes/2001 Fall V2
Department of Energy and Mines	March 31	Complete	Yes/2001 Fall V2
Department of Environment and Resource Management	March 31	Complete	Yes/2001 Fall V2
Department of Finance	March 31	Complete	Yes/2002 Spring
Department of Health	March 31	Complete	Yes/2001 Fall V2
Department of Highways and Transportation	March 31	Complete	No
Department of Intergovernmental and Aboriginal Affairs	March 31	Complete	Yes/2001 Fall V2
Department of Justice	March 31	Complete	Yes/2001 Fall V2
Department of Labour	March 31	Complete	Yes/2002 Spring
Department of Municipal Affairs and Housing	March 31	Complete	Yes/2002 Spring
Department of Post-Secondary Education and Skills Training	March 31	Complete	Yes/2001 Fall V2
Department of Social Services	March 31	Complete	Yes/2001 Fall V2
Executive Council	March 31	Complete	No
Women's Secretariat	March 31	Complete	No
Crown Agencies:			
101000606 Saskatchewan Ltd.	December 31	Note 2	No
101000607 Saskatchewan Ltd.	December 31	Note 2	No
101005716 Saskatchewan Ltd.	December 31	Complete	Yes/2002 Spring
101012875 Saskatchewan Ltd.	December 31	Delayed	
101012876 Saskatchewan Ltd.	December 31	Delayed	
3231518 Canada Ltd. (clickabid)™	December 31	Note 2	No
3339807 Canada Ltd.	December 31	Note 2	No
3364381 Canada Ltd.	December 31	Note 2	No
617275 Saskatchewan Ltd.	December 31	Complete	Yes/2002 Spring
620064 Saskatchewan Ltd.	December 31	Note 2	No
Ag Dealer Ltd., The	December 31	Complete	No
Agricultural Credit Corporation of Saskatchewan	March 31	Complete	No
Agricultural Implements Board	March 31	Complete	No

Agency	Year end on or before December 31, 2001	Status at March 31, 2002[1]	Significant issues reported[2]
Agri-Food Innovation Fund	March 31	Complete	Yes/2001 Fall V2
Assiniboine Valley District Health Board	March 31	Complete	Yes/2001 Fall V2
Associated Entities Fund	March 31	Complete	No
Avonlea Holding, Inc.	December 31	Note 2	No
Battleford International, Inc.	December 31	Note 2	No
Battlefords District Health Board	March 31	Rotational	
Bayhurst Gas Limited	December 31	Complete	Yes/2002 Spring
Beef Development Board	March 31	Complete	No
Board of Governors, Uranium City Hospital	March 31	Complete	Yes/2001 Fall V2
Board of Internal Economy	March 31	Complete	Yes/2001 Fall V2
Business Watch International Inc.	December 31	Complete	No
Canodev Research Inc.	July 31	Complete	No
Carlton Trail Regional College	June 30	Rotational	
Carlyle Holding, Inc.	December 31	Note 2	No
Central Plains District Health Board	March 31	Rotational	
Chicken Farmers of Saskatchewan	December 31	Note 1	
Chief Electoral Office	March 31	Complete	Yes/2002 Spring
CIC Foods Inc.	December 31	Complete	No
CIC Industrial Interests Inc.	December 31	Complete	Yes/2002 Spring
CIC Pulp Ltd.	December 31	Complete	No
Coachman Insurance Company	December 31	Complete	Yes/2002 Spring
Conflict of Interest Commissioner	March 31	Complete	No
Crown Investments Corporation of Saskatchewan	December 31	Complete	Yes/2002 Spring
Cumberland Regional College	June 30	Complete	Yes/2001 Fall V2
Cypress Hills Regional College	June 30	Complete	Yes/2001 Fall V2
DirectWest Publishing Partnership	December 31	Complete	No
Dundurn Holding, Inc.	December 31	Note 2	No
East Central District Health Board	March 31	Rotational	
Esterhazy Holding, Inc.	December 31	Note 2	No
First Nations Fund	March 31	Complete	Yes/2001 Fall V2
Foam Lake Holding, Inc.	December 31	Note 2	No
Gabriel Springs District Health Board	March 31	Rotational	
Genex Swine Group Inc.	September 30	Complete	Yes/2002 Spring
Greenhead District Health Board	March 31	Rotational	
Grenfell Holding, Inc.	December 31	Note 2	No
Health Services Utilization and Research Commission	March 31	Complete	No
Hollywood at Home Inc.	December 31	Note 2	No
Hospitality Network Canada Inc.	December 31	Note 2	No
Hospitality Network Canada Partnership	December 31	Complete	No

Appendix 2

Agency	Year end on or before December 31, 2001	Status at March 31, 2002[1]	Significant issues reported[2]
Information and Privacy Commissioner	March 31	Complete	No
Information Services Corporation of Saskatchewan	December 31	Complete	Yes/2002 Spring
Insurance Company of Prince Edward Island	December 31	Complete	Yes/2002 Spring
IQA Corporation	December 31	Note 2	No
IQ & A Partnership	December 31	Note 2	No
Jan Lake Holding, Inc.	December 31	Note 2	No
Katepwa Lake Holding, Inc.	December 31	Note 2	No
Keewatin Yathe District Health Board	March 31	Rotational	
Law Reform Commission of Saskatchewan	March 31	Complete	No
Liquor and Gaming Authority	March 31	Complete	Yes/2001 Fall V2
Liquor Board Superannuation Commission, The	December 31	Complete	Yes/2002 Spring
Living Sky District Health Board	March 31	Complete	Yes/2001 Fall V2
Lloydminster District Health Board	March 31	Complete	Yes/2001 Fall V2
Mamawetan Churchill River District Health Board	March 31	Rotational	
Many Islands Pipe Lines (Canada) Limited	December 31	Complete	Yes/2002 Spring
Melfort Holding, Inc.	December 31	Note 2	No
Metis Development Fund	December 31	Delayed	
Midwest District Health Board	March 31	Rotational	
Milk Control Board	December 31	Delayed	
MK Telecom Network Holdings Inc.	December 31	Note 2	No
MK Telecom Network Inc.	December 31	Note 2	No
Moose Jaw-Thunder Creek District Health Board	March 31	Complete	Yes/2002 Spring
Moose Mountain District Health Board	March 31	Rotational	
Municipal Employees' Pension Commission	December 31	Delayed	
Municipal Financing Corporation of Saskatchewan	December 31	Complete	No
Municipal Potash Tax Sharing Administration Board	December 31	Complete	No
Navigata Holding, Inc. (formerly Langenburg Holding Inc.)	December 31	Complete	No
Nokomis Holding, Inc.	December 31	Complete	No
North Central District Health Board	March 31	Rotational	
North Valley District Health Board	March 31	Complete	Yes/2001 Fal V2
North West Regional College	June 30	Rotational	
North-East District Health Board	March 31	Rotational	
Northlands College	June 30	Rotational	
Northpoint Energy Solutions Inc.	December 31	Complete	No

Agency	Year end on or before December 31, 2001	Status at March 31, 2002[1]	Significant issues reported[2]
Northwest District Health Board	March 31	Rotational	
Ombudsman and Children's Advocate, Office of the	March 31	Complete	No
Operator Certification Board	March 31	Complete	Yes/2001 Fall V2
Outlook Holding, Inc.	December 31	Note 2	No
Parkland District Health Board	March 31	Rotational	
Parkland Regional College	June 30	Rotational	
Pasquia District Health Board	March 31	Rotational	
Pipestone District Health Board	March 31	Rotational	
Pleasantdale Holding, Inc.	December 31	Note 2	No
Power Corporation Superannuation Board	December 31	Complete	No
Power Greenhouses Inc.	December 31	Complete	Yes/2002 Spring
Prairie Agricultural Machinery Institute	March 31	Complete	Yes/2001 Fall V2
Prairie West District Health Board	March 31	Rotational	
Prairie West Regional College	June 30	Complete	Yes/2001 Fall V2
Prince Albert District Health Board	March 31	Complete	Yes/2001 Fall V2
Public Employees Pension Plan	March 31	Complete	No
Public Service Superannuation Board	March 31	Complete	No
Regina District Health Board	March 31	Complete	Yes/2001 Fall V2
Rolling Hills District Health Board	March 31	Rotational	
RSL COM Canada Holdings Inc.	December 31	Note 2	No
Sask Pork	July 31	Complete	No
Saskatchewan Alfalfa Seed Producers' Development Commission	July 31	Note 1	
Saskatchewan Apprenticeship and Trade Certification Commission	June 30	Complete	No
Saskatchewan Archives Board, The	March 31	Complete	Yes/2002 Spring
Saskatchewan Arts Board, The	March 31	Complete	No
Saskatchewan Auto Fund	December 31	Complete	Yes/2002 Spring
Saskatchewan Broiler Hatching Egg Producers' Marketing Board	December 31	Note 1	
Saskatchewan Cancer Foundation	March 31	Complete	No
Saskatchewan Canola Development Commission	July 31	Complete	No
Saskatchewan Centre of the Arts	March 31	Complete	No
Saskatchewan Communications Network Corporation	March 31	Complete	No
Saskatchewan Crop Insurance Corporation	March 31	Complete	Yes/2001 Fall V2
Saskatchewan Development Fund Corporation	December 31	Complete	Yes/2002 Spring
Saskatchewan Egg Producers	December 31	Note 1	

Appendix 2

Agency	Year end on or before December 31, 2001	Status at March 31, 2002[1]	Significant issues reported[2]
Saskatchewan Flax Development Commission	July 31	Note 1	
Saskatchewan Gaming Corporation	March 31	Complete	Yes/2002 Spring
Saskatchewan Government Growth Fund Ltd.	December 31	Complete	Yes/2002 Spring
Saskatchewan Government Growth Fund II Ltd.	December 31	Complete	Yes/2002 Spring
Saskatchewan Government Growth Fund III Ltd.	December 31	Complete	Yes/2002 Spring
Saskatchewan Government Growth Fund IV Ltd.	December 31	Complete	Yes/2002 Spring
Saskatchewan Government Growth Fund V (1997) Ltd.	December 31	Complete	Yes/2002 Spring
Saskatchewan Government Growth Fund VI Ltd.	December 31	Complete	Yes/2002 Spring
Saskatchewan Government Growth Fund VII Ltd.	December 31	Complete	Yes/2002 Spring
Saskatchewan Government Growth Fund VIII Ltd.	December 31	Complete	Yes/2002 Spring
Saskatchewan Government Growth Fund Management Corporation	December 31	Complete	Yes/2002 Spring
Saskatchewan Government Insurance	December 31	Complete	Yes/2002 Spring
Saskatchewan Government Insurance Superannuation Plan	December 31	Complete	Yes/2002 Spring
Saskatchewan Grain Car Corporation	July 31	Complete	No
Saskatchewan Health Information Network	March 31	Complete	Yes/2001 Fall V2
Saskatchewan Heritage Foundation	March 31	Complete	No
Saskatchewan Housing Corporation	December 31	Complete	Yes/2002 Spring
Saskatchewan Indian Gaming Authority Inc.	March 31	Complete	Yes/2001 Fall V2
Saskatchewan Institute of Applied Science and Technology	June 30	Complete	No
Saskatchewan Lotteries Trust Fund for Sports, Culture and Recreation	March 31	Complete	No
Saskatchewan Municipal Board	March 31	Complete	No
Saskatchewan Opportunities Corporation	December 31	Complete	Yes/2002 Spring
Saskatchewan Pension Annuity Fund	March 31	Complete	No
Saskatchewan Pension Plan	December 31	Complete	No
Saskatchewan Power Corporation	December 31	Complete	Yes/2002 Spring
Saskatchewan Property Management Corporation	March 31	Complete	No
Saskatchewan Pulse Crop Development Board	August 31	Note 1	
Saskatchewan Research Council, The	March 31	Complete	No
Saskatchewan Sheep Development Board	September 30	Note 1	

Agency	Year end on or before December 31, 2001	Status at March 31, 2002[1]	Significant issues reported[2]
Saskatchewan Telecommunications	December 31	Complete	No
Saskatchewan Telecommunications Holding Corporation	December 31	Complete	No
Saskatchewan Telecommunications International, Inc.	December 31	Complete	No
Saskatchewan Trade and Export Partnership Inc.	March 31	Note 1	
Saskatchewan Transportation Company	December 31	Complete	Yes/2002 Spring
Saskatchewan Turkey Producers' Marketing Board	December 31	Note 1	
Saskatchewan Valley Potato Corporation	December 31	Complete	Yes/2002 Spring
Saskatchewan Water Corporation	December 31	Complete	Yes/2002 Spring
Saskatchewan Wetland Conservation Corporation	March 31	Complete	No
Saskatoon District Health Board	March 31	Complete	Yes/2001 Fall V2
SaskEnergy Chilean Holdings I Ltd.	December 31	Complete	Yes/2002 Spring
SaskEnergy Chilean Holdings II Ltd.	December 31	Complete	Yes/2002 Spring
SaskEnergy Chilean Holdings Limitada	December 31	Complete	Yes/2002 Spring
SaskEnergy Incorporated	December 31	Complete	Yes/2002 Spring
SaskEnergy International Incorporated	December 31	Complete	Yes/2002 Spring
SaskPen Properties Ltd.	December 31	Denied Access	
SaskPower International Inc.	December 31	Complete	Yes/2002 Spring
SaskTel Data Exchange Inc.	December 31	Note 2	No
SaskTel Holding (Australia), Inc.	December 31	Note 2	No
SaskTel Holding (New Zealand) Inc.	December 31	Note 2	No
SaskTel Holding (U.K.) Inc.	December 31	Note 2	No
SaskTel International Consulting, Inc.	December 31	Note 2	No
Saskatchewan Telecommunications International (Tanzania) Limited	December 31	Note 2	No
SaskTel Investments Inc.	December 31	Note 2	No
SaskTel New Media Fund Inc.	December 31	Note 2	No
SecurTek Monitoring Solutions Inc.	December 31	Complete	No
SecurTek Partnership No. 3	December 31	Note 2	No
SecurTek Partnership No. 4	December 31	Note 2	No
SGC Holdings Inc.	March 31	Complete	No
SGI CANADA Insurance Services Ltd.	December 31	Complete	Yes/2002 Spring
South Central District Health Board	March 31	Rotational	
South Country District Health Board	March 31	Rotational	
South East District Health Board	March 31	Complete	Yes/2001 Fall V2
Southeast Regional College	June 30	Rotational	
Southwest District Health Board	March 31	Rotational	
SP Two Properties Ltd.	March 31	Denied Access	

Appendix 2

Agency	Year end on or before December 31, 2001	Status at March 31, 2002[1]	Significant issues reported[2]
St. Louis Alcoholism Rehabilitation Centre Inc.	March 31	Complete	No
STI Communications Pty Limited	December 31	Note 2	No
Swan Valley Gas Corporation	December 31	Complete	Yes/2002 Spring
Swift Current District Health Board	March 31	Rotational	
Teachers' Superannuation Commission	June 30	Complete	Yes/2001 Fall V2
TecMark International Commercialization Inc.	March 31	Complete	No
TLW Holdings Inc.	December 31	Note 2	No
Touchwood Qu'Appelle District Health Board	March 31	Rotational	
TransGas Limited	December 31	Complete	Yes/2002 Spring
Twin Rivers District Health Board	March 31	Complete	Yes/2001 Fall V2
University of Regina Crown Foundation	April 30	Complete	No
University of Saskatchewan Crown Foundation	April 30	Complete	No
Water Appeal Board	March 31	Complete	No
Western Development Museum	March 31	Complete	No
Workers' Compensation Board	December 31	Complete	Yes/2002 Spring
Workers' Compensation Board Superannuation Plan	December 31	Complete	Yes/2002 Spring
Special Purpose and Trust Funds:			
Agri-Food Equity Fund	March 31	Complete	No
Big Game Damage Compensation Fund	March 31	Complete	No
Capital Pension Plan	December 31	Complete	Yes/2002 Spring
Cattle Marketing Deductions Fund	March 31	Complete	No
Commercial Revolving Fund	March 31	Complete	Yes/2001 Fall V2
Correctional Facilities Industries Revolving Fund	March 31	Complete	No
Correspondence School Revolving Fund	March 31	Complete	No
Crop Reinsurance Fund of Saskatchewan	March 31	Complete	Yes/2001 Fall V2
Doukhobors of Canada C.C.U.B. Trust Fund	May 31	Complete	No
Extended Health Care Plan	December 31	Complete	No
Extended Health Care Plan for Certain Other Employees	December 31	Complete	No
Fish and Wildlife Development Fund	March 31	Complete	Yes/2001 Fall V2
General Revenue Fund	March 31	Complete	Yes/2001 Fall V2
Highways Revolving Fund	March 31	Complete	No
Horned Cattle Fund	March 31	Complete	No
Judges of the Provincial Court Superannuation Plan	March 31	Complete	No

Agency	Year end on or before December 31, 2001	Status at March 31, 2002[1]	Significant issues reported[2]
Learning Resources Distribution Centre Revolving Fund	March 31	Complete	No
Livestock Services Revolving Fund	March 31	Complete	Yes/2001 Fall V2
Members of the Legislative Assembly Superannuation Plan	March 31	Complete	Yes/2001 Fall V2
Northern Revenue Sharing Trust Account	December 31	Complete	No
Office of the Rentalsman – Rentalsman's Trust Account	March 31	Complete	No
Oil and Gas Environmental Fund	March 31	Complete	No
Pastures Revolving Fund	March 31	Complete	Yes/2001 Fall V2
Provincial Mediation Board Trust Account	March 31	Complete	No
Public Employees Benefits Agency Revolving Fund	March 31	Complete	No
Public Employees Deferred Salary Leave Fund	December 31	Complete	No
Public Employees Dental Fund	December 31	Complete	No
Public Employees Disability Income Fund	December 31	Complete	No
Public Employees Group Life Insurance Fund	December 31	Complete	No
Public Trustee for Saskatchewan	March 31	Delayed	Yes/2002 Spring
Queen's Printer Revolving Fund	March 31	Complete	No
Resource Protection and Development Revolving Fund	March 31	Complete	Yes/2001 Fall V2
Sask 911 Account	March 31	Complete	No
Saskatchewan Agricultural Stabilization Fund	March 31	Complete	Yes/2001 Fall V2
Saskatchewan Development Fund	December 31	Complete	Yes/2002 Spring
Saskatchewan Legal Aid Commission	March 31	Complete	No
Saskatchewan Legal Aid Commission Client Trust Accounts	March 31	Complete	No
Saskatchewan Research Council Employees' Pension Plan	December 31	Complete	No
Saskatchewan Snowmobile Fund	March 31	Complete	No
Saskatchewan Student Aid Fund	March 31	Complete	Yes/2001 Fall V2
Saskatchewan Telecommunications Pension Plan	December 31	Complete	No
SaskPower Supplementary Superannuation Plan	December 31, 2000	Complete	No
SaskPower Supplementary Superannuation Plan	December 31, 2001	Delayed	
School Division Tax Loss Compensation Fund	March 31	Complete	No
Social Services Central Trust Account	March 31	Complete	No
Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission	December 31	Complete	No
Training Completions Fund	March 31	Complete	No

Agency	Year end on or before December 31, 2001	Status at March 31, 2002[1]	Significant issues reported[2]
Transportation Partnerships Fund	March 31	Complete	No
Trust Accounts at Court House, Local Registrars and Sheriff's Offices	March 31	Complete	No
Victims' Fund	March 31	Complete	No
Other organizations subject to examination under *The Provincial Auditor Act*:			
Pension Plan for the Eligible Employees at the University of Saskatchewan, 1974	December 31	Delayed	
University of Regina Academic and Administrative Employees Pension Plan	December 31	Delayed	
University of Regina Master Trust	December 31	Delayed	
University of Regina Non-Academic Pension Plan	December 31	Delayed	
University of Regina Pension Plan for Eligible Part-Time Employees	December 31	Delayed	
University of Regina, The	April 30	Complete	No
University of Saskatchewan 1999 Academic Pension Plan	December 31	Delayed	
University of Saskatchewan Academic Employees' Pension Plan	December 31	Delayed	
University of Saskatchewan and Federated Colleges Non-Academic Pension Plan	December 31	Delayed	
University of Saskatchewan Clinicians Service-Side Pension Plan	December 31	Delayed	
University of Saskatchewan, The	April 30	Complete	No

Note 1: We audit these agencies in a different way.

In 1999, the Department of Agriculture and Food and our Office agreed that the most efficient way for our Office to examine these smaller agricultural marketing and development agencies would be to work through the Agricultural and Food Products Development and Marketing Council. As part of our audit of the Department of Agriculture and Food, we examine the supervisory work carried out by the Council regarding the financial statements of these agencies and the rules and procedures to safeguard and control their assets and to comply with legislative authorities.

In 1999, the Department of Economic and Co-operative Development and our Office agreed, as part of the annual audit of the Department, that we would examine the supervisory work carried out by the Department over the Saskatchewan Trade and Export Partnership Inc.

Note 2: These entities are wholly or partially-owned subsidiaries of Saskatchewan Telecommunications Holding Corporation (Corporation). They are included in the consolidated financial statements of the Corporation. For the year ending December 31, 2001, these entities did not carry out active operations.

---

1 "Complete" – the audit was complete at March 31, 2002;
"Delayed" – the audit was delayed;
"Rotational" – for a few sectors (i.e., health districts and regional colleges), we carry out the audits of the most significant entities and use a rotational approach for the remainder. We list entities in rotation whose audits were complete at March 31, 2002 as "Complete". We list the other entities as "Rotational".
"Denied Access" – in a few cases, we have not been given access to the necessary information to complete the audits.

2 "No" - no significant issues were reported;
"Yes/2001 Fall V1" – significant issues were reported in our 2001 Fall Report – Volume 1; and
"Yes/2001 Fall V2" – significant issues are reported in our 2001 Fall Report – Volume 2; and
"Yes/2002 Spring" – significant issues were reported in our 2002 Spring Report.

This page left blank intentionally.

Appendix 3

Examples of opinions we form on departments, Crown agencies, and Crown-controlled corporations

Our mission states "We encourage accountability and effective management in government operations". We do this by examining and reporting on:

- the reliability of financial information;
- compliance with authorities;
- the adequacy of management systems and practices related to financial reporting, compliance with authorities, and safeguarding assets; and
- the adequacy of management systems and practices related to due regard to economy, efficiency, and effectiveness.

Our examinations and reports focus on the Government as a whole, sectors or programs of government, and individual government organizations. This Appendix contains examples of the audit opinions we form to provide our assurances on financial statements, compliance with authorities, and management practices in this Report. We use the auditing standards recommended by The Canadian Institute of Chartered Accountants to form our opinions.

1. Following is an example of the opinion we form on the adequacy of the control systems used by an agency to safeguard and control public money.

I have examined the system of internal control of [Crown Agency X] in effect as at [date]. I did not examine certain aspects of internal control concerning the effectiveness, economy, and efficiency of certain management decision-making processes. The criteria for the examination of this system of internal control consisted of the control environment and control systems described in The Canadian Institute of Chartered Accountants Handbook.

My examination was conducted in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an examination to obtain reasonable assurance whether the system of internal control established and maintained by management is

sufficient to meet the control objectives referred to below. Such an examination includes obtaining an understanding of the system of internal control and performing tests of controls to determine whether the internal controls exist and operate effectively.

The management of [Crown Agency X] is responsible for establishing and maintaining a system of internal control to achieve the control objectives noted in (a) to (d) below. In fulfilling this responsibility, estimates and judgement by management are required to assess the expected benefits and related costs of control procedures. Pursuant to my responsibilities under Section 11(1) of The Provincial Auditor Act, I am required to determine that there is a system of internal control in effect which provides management with reasonable, but not absolute, assurance that:

a) the accounts are faithfully and properly kept to permit the preparation of financial statements in accordance with the appropriate basis of accounting;

b) all public money is fully accounted for and properly disposed of and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;

c) transactions are executed in accordance with management's authorization, public money expended is applied to the purpose for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and

d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money against loss from unauthorized use or disposition.

Because of the inherent limitations in any system of internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of the system of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

In my opinion, based upon the above criteria, the system of internal control of [Crown Agency X] in effect as at [date], taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or fraud in amounts that would be material in relation to [Crown Agency X].

Or if the examination disclosed conditions that, individually or in combination result in one or more material weaknesses, the opinion paragraph should be modified as follows:

My examination disclosed the following conditions in the system of internal control of [Crown Agency X] as at [date] which in my opinion, based upon the above criteria, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to [Crown Agency X] may occur and not be detected within a timely period.

The report should go on to describe all material weaknesses, state whether they resulted from the absence of control procedures or the degree of compliance with them, and describe the general nature of the potential errors or fraud that may occur as a result of the weaknesses.

City Date Chartered Accountant

2. Following is an example of the opinion we form on an agency's compliance with the law regarding its spending, revenue raising, borrowing and investing activities.

I have made an examination to determine whether [Crown Agency X] complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding assets, spending, revenue raising, borrowing and investing activities during the year ended [date]:

(List legislative and related authorities covered by this report. This list must include all governing authorities.)

My examination was made in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, [Crown Agency X] has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended [date].

(The report should provide adequate explanation with respect to any reservation contained in the opinion together with, if relevant and practicable, the monetary effect.)

City Date Chartered Accountant

3. Following is an example of the opinion we form on the financial statements prepared by management of an agency.

I have audited the balance sheet of [Crown Agency X] as at [date] and the statements of income, retained earnings and changes in financial position for the year then ended. The [Crown Agency X]'s management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the [Crown Agency X] as at [date] and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

City Date Chartered Accountant

Appendix 4

Reports of appointed auditors

Appendix 4 contains the reports of appointed auditors that we have not relied on and the report of the appointed auditor indicates a matter or issue that should be reported to the Assembly.

Appendix 4 does not contain the reports of appointed auditors that indicate a matter or issue to report to the Assembly when we have not yet done our work. Appendix 2 contains a list of work not done.

Crown Agency	Appointed Auditor	Page
Workers' Compensation Board	Deloitte & Touche	4-2

Appendix 4

WORKERS' COMPENSATION BOARD
YEAR ENDED DECEMBER 31, 2001

To: Province of Saskatchewan,
Provincial Auditor

We have examined the financial statements of the Workers' Compensation Board (Saskatchewan) for the year ended December 31, 2001 and have issued our report thereon dated April 18, 2002. We have examined the system of internal control as at December 31, 2001 and have issued our report to you dated April 18, 2002. We have also made an examination to determine whether the Workers' Compensation Board complied with specified legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the year ended December 31, 2001 and have issued our report to you dated April 18, 2002.

Our examinations were made in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. In those instances, if any, that our study and evaluation of internal control disclosed conditions indicating controls were inadequate or not complied with, substantive tests were performed to detect any cases in which:

1) any officer or employee of the Workers' Compensation Board has wilfully or negligently omitted to collect or receive public money belonging to the Crown;
2) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person; and
3) an expenditure was made which was not properly vouchered or certified.

During the course of these examinations, nothing came to our attention that would indicate to us that:

1) any officer or employee of the Workers' Compensation Board has wilfully or negligently omitted to collect or receive public money belonging to the Crown;
2) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person; and
3) an expenditure was made which was not properly vouchered or certified.

During the course of our previous and current examinations, however, the following circumstances came to our attention concerning the inclusion of the accounts of the Workers' Compensation Board in the Government of Saskatchewan Summary Financial Statements.

The accounts of the Board are consolidated in the Summary Financial Statements on the basis that the Worker's Compensation Board is a government enterprise that is owned or controlled by the Government. In the consolidation process, we believe that the net assets of the Workers' Compensation Board, amounting to $49,975,000 as at December 31, 2001 (2000 restated - $105,796,000) should not be recorded as a reduction of the Government's accumulated deficit. It is the Board's considered opinion, based upon the legislative authorities in effect, these net assets do not accrue to the Government.

Chartered Accountants
April 18, 2002

Provincial Auditor's comments:

We think the Government's Summary Financial Statements comply with The Canadian Institute of Chartered Accountants' (CICA) recommendations. Those recommendations state:

> The Government reporting entity should comprise the organizations that are accountable for the administration of their financial affairs and resources either to a minister of the government or directly to the legislature, or local government, and are owned or controlled by the Government.

CICA goes on to say:

> A government may choose not to exercise its authority or actively participate in the implementation of its policies; nevertheless, control exists by virtue of the government's ability to do so.

The Government does have the ability to control the Workers' Compensation Board (WCB) in administering the workers' compensation program. The Government can and does influence the WCB's decisions by virtue of the Government's authority set out in *The Workers' Compensation Act, 1979*.

Subsection 181(2) of the Act states:

> The Lieutenant Governor in Council may make regulations setting out guidelines for the making of decisions by the board, and a regulation made pursuant to this subsection supersedes any policy directive of the board that conflicts with it.

We also note the Government's Summary Financial Statements clearly state that any net assets of the WCB are not available for the payment of dividends to the General Revenue Fund.